# THE ECONOMIC MIND IN AMERICAN CIVILIZATION

## 1606-1865

BY

Joseph Dorfman

VOLUME TWO



REPRINTS OF ECONOMIC CLASSICS

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BOOK TWO

# From Independence to Jackson

PART II

## The Emergence of Systematic Economics

CHAPTER XIX

# The Higher Learning: 1789–1829

JUST as differences in political theory among the learned gentlemen of business made little substantial difference in their specific outlook on commerce, so in the academic world party animosities hardly affected the general economic philosophy. Academic learning had advanced slightly but it still was not in a very high state and was strongly controlled by traditional ideals. Meager salaries, ill-trained teachers, multitudinous subjects under one instructor, shortened programs, and nepotism were admitted evils, but they were attributed to the beneficent relative equality in America, since only under great inequality of wealth was there supposed to be a leisure class to pursue learning.[1]

That the college teachers should be clergymen was a matter of common sense. Coxe, in presenting to Englishmen the advantages of settlement in America, in his *A View of the United States*, declared that, for teaching, "pious and learned ministers of religion are deemed particularly suitable." Robert Troup's argument for founding Geneva (Hobart) College was: the more he saw of the progress of Jacobinism, the more he realized the need of setting up a college for the training of the clergy of the Episcopal Church.[2]

The physical sciences were generally viewed with suspicion. President Charles Nisbet of Dickinson College declared that, unless the grace of God produced a different effect, the more intimately men became acquainted with the works of nature, the less mindful were they of their great Author.[3] Men genuinely interested in the sciences had no place. Only in moments snatched from practical occupations, in government or business, was significant work done in these fields. Barlow had to appeal to Madison's postmaster general to give an office to an astronomer and mathematician to enable him to live. In medical schools dissection was rare.[4] Using hospitals in medical work struck even Jefferson with horror, for hospitals were "charitable"

institutions not only for the sick, but also for the poor and orphans. They were more in the nature of workhouses for the defective, dependent, and delinquent.

New systems of philosophy that threatened to supersede the Common Sense philosophy were denounced as tending to destroy the social fabric. The academicians heard of Kant via some English magazine articles condemning his work as "an attempt to teach the skeptical philosophy of Hume in the disgusting dialect of scholasticism." The Reverend Samuel Miller, trustee of both Columbia and the College of New Jersey, declared in 1803 in his *A Brief Retrospect of the Eighteenth Century:* "The most impartial judges will probably assign him [Kant] a place among those metaphysical empirics of modern times, whose theoretical jargon, instead of being calculated to advance science, or to forward human improvement, has rather a tendency to delude, to bewilder, and to shed a baneful influence on the true interests of man."

Until the collapse of the Federalist Party after the War of 1812, the leading institutions for the most part were Federalist and anti-Jeffersonian, and appointments and dismissals were often determined accordingly. At Yale Professor Josiah Meigs informed the authorities in 1798 that he was willing to recant publicly his early support of the French Revolution and to declare that President Adams's measures against the French were justified and the executive must be upheld; but the Yale authorities deemed it best that his annual appointment and services come to an end.[5] Harvard broke the ancient custom of having as president only a clergyman by offering the post to Fisher Ames in 1804.

James Kent said he was appointed to the new professorship of law at Columbia in 1793 partly because of his Federalist sympathies.[6] His lectures amply bore out the soundness of the appointment. He started with Paley, since moral philosophy as the foundation of human law must be considered part of judicial education. The legislative power is "the most impetuous and powerful." Consequently limited constitutions give the executive a veto. Since the judicial power is the weakest power in its ability to protect itself, the right of expounding the Constitution and the laws is its constitutional means of defense in maintaining its chartered privileges and the equilibrium of powers.[7]

After resigning the college post, Kent became chancellor. In the New York State Constitutional Convention he summed up his creed:

Since society is "an association for the protection of property as well as life . . . the individual who contributes only one cent to the common stock, ought not to have the same power and influence in directing the property concerns of the partnership, as he who contributes his thousands." [8]

After the Republicans had forced him out of his office of chancellor by enacting a measure calling for retirement at the age of sixty, Kent returned to Columbia in 1823 and continued to combat "the growing desire for change and innovation."

Following the same Federalist political faith as Kent, but far more extreme in his espousal of the "natural right" of property, was Nathaniel Chipman, professor of law at Middlebury College, Vermont. In his *Sketches of the Principles of Government*, which he published in 1793 while judge of the federal district court of Vermont, he chastised those conservative authors who declared that property, especially land, was a creature of government. Some of the most eminent writers of antiquity, Chipman wrote, have argued for a limit to acquisition on the ground that riches give power to their possessor, and those possessing power will abuse it to the oppression of others. If this argument be sound, he argued, then by the same reasoning the improvement of bodily strength and mental ability should be limited. Riches, he triumphantly concluded, are the result of industry.

At the same time Chipman used a more liberal rhetoric than Kent in presenting the American government as the finest type of government—representative democracy. Great was his annoyance at the Jeffersonian "democratic societies," who, in attacking the Federalist Administration, claimed Chipman was on their side and cited extensive passages from his book on the necessity of responsibility and accountability of government to the popular will, and for an "effectual provision for the dissemination of useful knowledge." Chipman indignantly wrote his friend Hamilton in January 1794 that anyone judging his book by the quotations cited would believe it "contains the principles of anarchy instead of government." Nothing in the book, he said, authorizes these voluntary self-created societies and clubs. The professed design of these "self pronounced dictators" is to "promote political knowledge, but whenever they have established themselves they have assumed a dictatorial style in their resolves." These useless and dangerous societies are formed for the

purpose of "censuring the proceedings of government *in transitu*, of anticipating the deliberations of constitutional bodies, or dictating the measures which those bodies ought to pursue."

The people must let Congress do the debating and supply the information. "Congress are from their situation, furnished with the necessary information relative to the present state of things as they may affect the nation. . . . All this is in their debates, handed out and circulated among the people, together with all the reasons for and against any measure that could be suggested by the most mature deliberation. By these means the people have in their power sufficient information to judge calmly and rationally of the measures which have from time to time been adopted. . . . They [the people] will generally approve or disapprove with judgment, but in debating, are exposed to all the rashness of ignorance, passion and prejudice." Thus these clubs "have a tendency directly or indirectly, to introduce into the measures of government all the precipitation, all the heat, and ungovernable passions of simple democracy." [9]

The college presidents led in the denunciation of Jefferson and what he supposedly stood for. On hearing that Jefferson had been elected President, Nisbet asked that "God grant us patience to endure" his tyranny, and then went on to declare that the retrogression of the eighteenth century was further indicated by the decline of orthodox religion or the evangelical Calvinist faith, the practical expression in the American Constitution of the Jeffersonian doctrine of the equality of the opinions of one God, twenty Gods, or no God, the spread of Deism, Unitarianism, the anarchical higher criticism of Germany, the materialism of Priestley and Hartley, the fantastic doctrine of men having risen from beasts, Paine's *Rights of Man*, the ignorance and contempt for antiquity, a boundless rage for theory and experiment, and above all by the growth of skepticism and the spirit of free inquiry. This latter accounts in fact for all the others. The end, of course, must be, as in France, a despotic Bonaparte and a wiping out of civilization in blood.[10]

The Reverend Timothy Dwight, president of what was probably the leading institution, Yale, was popularly called the "Pope of Federalism" or the "Metropolitan See of Federalism." His predecessor, the Reverend Ezra Stiles, had awarded Jefferson an honorary Doctor of Laws degree and called him in 1784 a "truly scientific and learned man and in every way excellent." [11] But Dwight was sure that Jefferson and his followers were agents of the devil.

At the commencement of 1798, Dwight had preached on "The Duty of Americans at the Present Crisis," the threatened war with France. He called for unequivocal adherence to the existing governors, for they possess better information of the situation than private persons can have, and "confidence must be placed in men, imperfect as they are, in all human affairs, or no important business can be done." Men must not be greedy of their property and lives, but be prepared to sacrifice both in a war with France. "We fight for the lives, the honour, the safety, of our wives and children; for the religion of our fathers, and for the liberty with which Christ has made us free, to save them from the corruption and perdition of foreign atheism." With the election of Jefferson he preached that evil had befallen New England, and the meaning of the text that God's children should separate themselves from the unfaithful was rather obvious. This will be difficult, he said in a *Discourse on Some Events of the Last Century*, "for your enemies are numerous, industrious, daring, full of subtlety, and . . . zeal. Nay, some of them are your brethren and endeared to you by all ties of nature," but God will protect you, and "your children of many generations will rise up and call you blessed." Naturally Dwight supported the Hartford Convention as it moved for secession.

While denouncing democracy, the Federalists laid down in their textbooks on moral and political philosophy a strict code of respect for property and the merchant. Said Witherspoon's son-in-law and successor, the Reverend Samuel Stanhope Smith, in his *Lectures . . . on Moral and Political Philosophy* (1812): Government must protect the sacred rights of property, and honors must be accorded to merchants to encourage profitable trade. Price regulations or any restrictions on the freedom of the merchant, even in times of scarcity, would limit industry. Price is fixed by the ratio between the quantity of specie and the amount of goods, and "this constant ratio of things no law or authority of the state could alter without violence to liberty and manifest injury to the interests of trade."

The plea for freedom from legislative interference, however, does not preclude the use of the state power to obtain commercial treaties and privileges of trade with other nations. Furthermore, the general maxim that trade should be free and committed almost entirely to the control and interested vigilance of the merchant is not inconsistent with another principle, "that the policy of a nation may sometimes wisely impose certain restrictions dictated by the spirit

of commerce itself in order to introduce a new and to foster a growing manufacture." Since commerce depends on strict fulfillment of contracts, every aid should be given to the merchant to compel meeting of contracts, even to seizing persons for debt and excluding children of those who die insolvent from civic honors and privileges until the debt be paid. Frugality is good because it enables artificers to work for low wages.

Slavery is bad, Smith felt, but it should not be eliminated by laws directly aimed at its dissolution, since this would violate the spirit and manners of the country. Instead, the end should be achieved, as in all cases of reform, by gradual changes, such as the establishment of a peculium by which every industrious slave could purchase his freedom after a reasonable period.

Republican instructors, in their treatises on government as well as other matters, held to substantially the same views. A case in point was the work of Joseph Priestley, the world-famous English chemist and friend of Franklin. In England he had written, among other things, a general textbook covering all the social sciences, called *Lectures on History and General Policy*. In the spirit of Franklin's views during his days in England, it lauded the British Constitution as the finest in the world, denounced poor relief as destroying the incentive to acquire subsistence and property, and made commerce the animating force of prosperity and free government. Like many enlightened Englishmen and Americans, Priestley had viewed the opening of the French Revolution as the beneficent march of the free spirit of commerce; and he called on Englishmen to support it in order to promote "a friendly and commercial intercourse" between the two countries.[12]

In 1791, as the Crown moved to repress forcibly any sympathy with the Revolution, a mob, shouting among other slogans "Church and King" and "No False Rights of Man," smashed Priestley's laboratory and scattered his manuscripts to the winds. After this experience he decided, in 1794, at the age of sixty-one, to come to America at least temporarily, in connection with a land company he and his sons had helped organize for purchasing 300,000 acres in the frontier area of Pennsylvania as an English settlement. His original pro-French sentiments made him anathema to the Federalists. Great mutual admiration sprang up between him and Jefferson, who always was an admirer of learned men, especially those with influence or good pens. Priestley turned his lucid pen to supporting Jefferson

in his battles with the Federalist Administration, and naturally when Jefferson became President he thought the millennium had been reached. Interestingly enough, his textbook had all the while enjoyed a vogue in American colleges, and President Dwight was using it at the very moment he also was proclaiming that the election of Jefferson was the victory of anti-Christ.[13]

In 1803 Priestley decided to bring out an American edition which differed from the old one primarily in the inclusion of a chapter on the American government. He had seen, as had his chief during the campaign against Adams, some grave defects in the working of the American Constitution and had used the customary radical rhetoric; but now, with Jefferson in power, naturally these deficiencies no longer existed. He wrote in the new edition that in the American Constitution "every evil incident to society is . . . as well guarded against as human wisdom could devise; and the experience of more than fourteen years has discovered but few things that seem to want amendment, or rather a clearer explanation." Before the establishment of the American Constitution, the English was unquestionably the best in the world. But the American, modeled on the British, more effectively guards the most valuable features of the latter—namely, the natural rights and civil liberty of individuals. Every person has full liberty to employ all his faculties for his own advantage, which he can better understand and provide for than the state could do for him.

The property qualification for voting is wise. To annex certain privileges to the acquisition of property operates as an incentive to the industry by which property is acquired and ought to be encouraged by the laws of every country. The system of electors for choosing the President, the election of Senators for long terms and by the state legislatures, and the two-year instead of annual term of House members are admirable. The only improvement desirable is extending the term of House members to three years. These features, he said, by giving the various bodies independence in varying degree from the "ill informed" common people or electorate, prevent the few who really think and judge for themselves from misleading the majority for their private interest. All history shows that the more numerous is the body that decides on anything, the more hasty, intemperate and injudicious "are its enactments." Low salaries for government officers are wise, for it is a poor country which cannot provide sufficient men of fortune to serve their country, and the admirable

American Constitution allows men of talent to acquire fortunes easily. Like President Dwight and respectable Americans in general, he disapproved of the people on the frontier. The lower class of people there, he said, live wretchedly because they are idle and proud.[14]

The treatises of native-born Republicans ran along similar lines. John Augustine Smith is an example. He was a native Virginian, graduate of Jefferson's alma mater, the College of William and Mary. After studying medicine abroad, practicing in New York, and teaching at Columbia's medical school, he became in 1814 president and professor of moral and political philosophy at William and Mary. Three years later he published *A Syllabus of the Lectures . . . on Government*. In this he declared that the most firmly grounded truth in politics is that "universal suffrage and freedom never were and never can be co-existent."

The essence of republicanism is that laws should emanate from those on whom they are to operate. Now ninety-nine hundredths of the legislation relates exclusively to questions of property. The restriction of the right of voting therefore conforms perfectly with "the purest principles of republicanism." That the poor man is compelled to serve in the militia and sometimes lose his life is no reason for giving him the franchise, for the voters have "to pay as well as fight, which is by far the most burthensome part of the business—the difficulty in modern wars being to raise money, not men."

Judges, as Jefferson had early argued, should have permanent tenure and the power to declare laws unconstitutional. As Kent had argued, the judiciary can never be made equal to the other two departments—the direct authority of the legislators nor the powerful influence of executive officers; but the greater the weight of the Supreme Court, the more effective will be the balance between the branches of the government.

But Smith found one glaring defect in the otherwise model constitution of Virginia. It had usury laws, which showed ignorance of political economy, the science most important next to government and morality, but the one "with which mankind at large, have the least acquaintance." The whole familiar catalogue of objections was reiterated, with the addition that usury laws caused the increasing senseless demand for more banks.

However, he became rather ambiguous, as did most respectable men in this period of inconvertible paper, on the question of when a stay law was not a stay law. He denounced stay laws and the like

as violations not only of the constitutional provisions against impairment of contracts, but also of the very end of government to protect individual rights. But the immediate payment of debts is not to be enforced because it is impossible to ascertain instantly their existence and amount. Until these are known, the public authority cannot act. The legislature may consequently decide what steps are necessary to establish these two circumstances; or, more generally speaking, they may rightly ordain "that any forms shall be observed which are deemed conducive to the more perfect administration of justice."

As among Federalists, so among Republicans, the renovations in education ran along lines of strengthening the teachings of the Common Sense philosophy. Archibald Murphey, bemoaning that students at the University of North Carolina were being educated on pleasant elementary books, abridgments, summaries, and encyclopedias, took time off from his other enterprises in "internal improvement" to head a legislative committee to study the educational situation.

"The great object of education," his committee reported, is intellectual and moral improvement. The best mode can be found only in "a correct knowledge of the human mind, its habits, passions, and manner of operation. The philosophy of the mind . . . has received form and system in the schools of Scotland. This new science . . . has sapped the foundations of skepticism by establishing the authority of those primitive truths and intuitive principles, which form the basis of all demonstration." Once the student, via the works of Jefferson's friend, Dugald Stewart, got the "philosophy of the Human Mind," then he was to be taught in succession "Moral law, Law of Nature, and Nations, Government and Legislation," and finally "Political Economy"; in other words, the typical better college senior-class discipline to fit the graduate for success in his intimately related worlds of politics, finance, and estate management.[15]

## CHAPTER XX

# The Northern Tradition of *Laissez Faire*

A NATIVE systematic literature on economics was long in developing in the United States. On the whole, the academic world was not fruitful soil. Few doubted the importance of the subject; but that a teacher should spend much time on it was considered a waste of effort. The curriculums were still dominated by theology. Economics was merely a branch of moral philosophy and entitled to only a few lectures at best. In fact, the economics held to be essential was mostly the discussions to be found in Paley's *Moral and Political Philosophy* or Priestley's *Lectures on History*. The subject was suspected of atheistic tendencies, or at least it tended to stress man's "materialistic" bent at the expense of devotion to religion. The teachers were generally more interested in other parts of the curriculum and, being of none too high an intellectual caliber and forced to teach a variety of subjects, had neither the time nor the inclination to pursue such an abstruse subject. Of course, there was no objection if the state or individuals would provide chairs of economics or subsidize publications.

The important problem that faced American educators and public-spirited citizens was a text that would inculcate in the rising generation sound economic principles, especially the virtues of self-help. This was held to be especially important in America in face of the ever-widening franchise. As in other fields, the treatises that found general acceptance were those first printed in England, whether by English authors or translated by Englishmen.

*The Wealth of Nations* always enjoyed considerable vogue. But even the learned literary journals complained as late as 1817 that it was "too abstruse to be easily comprehended by the unphilosophic mind, besides, subsequent experience has elucidated much that was problematical or intricate, in his day," [1] and it is cluttered up with needless statistical detail and digressions. The clerics especially were somewhat dissatisfied with his invidious distinction between productive and unproductive employment because preachers, along with the government personnel, while considered useful, were not regarded as increasing the wealth of a nation. This led the clergy to

charge that Adam Smith considered economics as merely materialistic and not a moral science.

Ricardo was, of course, profoundly admired, especially after the eulogy of his treatise written by his disciple John Ramsay McCulloch in 1818 appeared in the *Edinburgh Review*. But as his American disciple Verplanck explained in *Essays On . . . Revealed Religion*, Ricardo is too deep for the average mind to find wide acceptance at present. His "speculations will . . . exercise a far more marked influence over the public concerns and opinions of the remainder of this century . . . than those of any other man of our day." Though his "education and course of life led him from particular facts and practical details up to general speculations," still he presented "his great and original views . . . in the most naked and repulsive form, giving to the laws which govern the creation of exchangeable value, the incidence of taxation, and the nature of currency and credit, all the harsh abstractness of mathematical propositions. He is not obscure from confusion of thought, nor from ambiguity of language, but from want of development, and from taking too much for granted in the acuteness and attention of his readers. Even those who enter perfectly into his sense, must read him and meditate him again and again before his system becomes familiar to them, and perfectly at their command. Compare him with such a writer as Say—a writer, too, of no common ability—how much clearer is the one—but how much deeper the other!"

Ricardo's doctrine that rent did not enter into cost of production was especially held to be too subtle.

Most popular of the European treatises was that of J. B. Say, the French professor with a long experience in business. Say translated Franklin's *Poor Richard* for distribution among the French poor. He enjoyed the friendship of Jefferson and was closely attuned to the American mind. At one time he thought of coming to America and establishing a cotton factory adjacent to a cotton plantation. His book, *Traité d'économie politique*, praised America, avoided the distinction between "productive" and "unproductive" employments, presented the role of the entrepreneur as the great organizer of industry, treated property as a category of production, and pretended to teach individuals as well as nations how to get rich. Any questioning of unrestrained freedom of acquisition it entertained was duly answered in a footnote by the editor of the American editions, Colonel Clement C. Biddle. Its great advantage was, as Jefferson said, that it

presented the same principles as *The Wealth of Nations* in a "shorter compass and more lucid manner." [2]

Say's elementary condensed version of his treatise under the title, in translation, *Catechism of Political Economy; or, Familiar Conversations on the Manner in Which Wealth is Produced, Distributed, and Consumed in Society*, was reprinted in 1817 in the United States by Mathew Carey. But then this was at a time when Carey had not yet made up his mind whether he was a free-trader or protectionist. A conservative reviewer described it as a convenient compendium for those who love to arrive directly at conclusions.[3]

More definitely for the schools was *Outlines of Political Economy on the Plan of the Reverend David Blair, Adapted to the Use of Schools in the United States of America* (1828). The Reverend David Blair appears to have been one of the clerical pseudonyms of Sir Richard Phillips, writer of elementary-school books. The publisher (probably also the author) was Samuel G. Goodrich, a New England editor and compiler of a mass of treatises, especially the famous Peter Parley books for children. Goodrich was of Federalist antecedents, and he viewed the men of the Hartford Convention as high-minded, patriotic citizens; whereas Jefferson, Madison, and other leaders of "democracy" were the great opponents of the Constitution and law and order.[4]

In the new settlements of America where the husbandman is continually encroaching on the wilderness, want is nearly unknown, "Blair" said; and prosperity almost universally prevails. The laboring class is rapidly passing into the landholding class. The facility with which the North Americans acquire a maintenance encourages early marriages and gives rise to large families. The children are well-fed, thriving, and healthy. The rapid increase of population does not reduce the rate of wages because capital increases in a still greater proportion. Should the population increase too fast, "the poor are obliged to subsist on a smaller amount of food than will support them in health and vigour, the children languish a few years in poverty then fall victims to disease brought on by want and wretchedness." Such children do not add to the strength of the nation. Savings banks are eminently desirable but poor relief is disgusting, for the certainty that the parish is bound to relieve their wants renders the poor less apprehensive of poverty than if they knew they must suffer all the misery it entailed.

Neither of these books was very successful in the United States. They were not quite simple enough. The market was captured and held by the Englishwoman Jane Marcet's *Conversations on Political Economy; in which the Elements of that Science are Familiarly Explained.* Immediately reprinted in the United States in the year following its English issue in 1816, it went through numerous editions both in the United States and in England. Like her tremendously popular *Conversations on Chemistry,* it was intended for "young persons of both sexes" and was written in the form of conversations between "Mrs. B." and "Caroline." The American editor, the Reverend J. L. Blake, further simplified the teachings by adding 1309 questions at the bottom of the pages. Such works had the encouragement and even the guidance of eminent economic leaders. In England, Ricardo took an interest in later editions of the book. McCulloch pronounced it the best beginners' treatise. The professor of the subject at Columbia, the Reverend John McVickar, could say: "Though puerile in its form, and from a female pen, [it] is not wanting in manly excellence. It has the high merit of being familiar without departing from scientific truth." [5]

So well was it received that it was even used for a while in the best colleges, from Harvard to South Carolina. Indicative of its character was the extract chosen by the reviewer for the conservative *Analectic Review* as best suited to illustrate its many good features. This dealt with the treatment of machinery: Miss Caroline at first sight thought that machinery created unemployment, but Mrs. B. explained that whatever abridges and facilitates labor will eventually increase the demand for labor through the fall in price and greater consumption of the article. But Miss Caroline noticed that some types of labor were completely displaced by the machinery. Mrs. B. had a ready answer. "Where there is capital, the poor will always find employment." Countries possessed of great wealth will see great works undertaken, such as bridges, canals, and roads, which give rise to employment in addition to the usual employment in agriculture, manufacturing, and trade. The reason for this is simple. The rich will not allow any part of their capital to lie idle, and the demand for labor is therefore proportionate to the extent of capital. Industry knows no other limit. True, the capitalist who employs a new machine is the immediate gainer, but the public is the permanent beneficiary eventually in a reduced price through increased production and

competition. No class benefits more from the abridging of labor than the working class, for as the mass of consumers they are the most interested in lower prices of goods.[6]

What was always wanted was a "popular treatise" modeled on English standards that would on the whole glorify the existing scheme of things. This was equally true of what was considered the intimately related field of "statistics." The demand was for a convenient volume that would present a "digest" of the miscellaneous statistical information scattered throughout government reports and journals and show the growth of the country, and with such additional information as would reveal the curse of poor laws, intemperance, and the like. The two outstanding statistical works, those of Pitkin and Seybert, bore all the evidence of men engaged for the most part in the political life of the nation. The statistics were primarily from government reports. The littérateur, Robert Walsh, summed up contemporary opinion by saying that Pitkin's volume was too deep and technical, and Seybert's "too ponderous and particular"; and he proposed to undertake a statistical volume covering the public economy of the country that would show how great the United States had become.[7]

### THE REVEREND JOHN MC VICKAR: FEDERALIST RICARDIAN

The beginnings of a genuine native literature following the great tradition of Smith and Ricardo came through the search for a popular treatise. James Wadsworth, a former associate of Robert Morris and a great landowner in the Genesee Valley, New York, had such an ardent interest in popular education that he subsidized the publication of proper textbooks. Among the people he interested in the venture was the Reverend John McVickar,[8] who was connected with the leading families in commerce and finance in New York City. Besides his varied teaching duties at Columbia, which often led him to sign himself "Professor of Moral Philosophy, etc.," McVickar preached on the outside and engaged in that most common of businesses, land speculation.

McVickar was a high Federalist, a worshiper of Hamilton in politics—but not, of course, on the tariff. To McVickar, as to all the academicians, economics was merely a part of the course on moral philosophy. As a true follower of the Common Sense philosophy, he held that the object of this course was "to settle in the mind of the

student great principles of truth and to train the mind to their quick perception and their satisfactory defence." But in the early twenties a considerable number of even respectable people in New York did not see eye to eye with McVickar and Wadsworth, not only on the tariff, but also on usury laws, banking, and canal construction.

To inculcate sound truths, McVickar issued in 1825 his *Outlines of Political Economy*, which he dedicated to Wadsworth. The core of the book was a reprint of McCulloch's lengthy article on the subject in the 1823 supplement to the *Encyclopædia Britannica*. McCulloch's article was quite flattering to American pride and the free-trade, or "commercial," interest. It stated that America, because of her lack of internal taxes and great fertile lands, doubles her capital and population every twenty-five years and "is advancing in the career of wealth and civilization with a rapidity unknown in any other country."

To the article McVickar added a lengthy introduction, a summary of the "science," and a mass of "critical" and explanatory notes. These interpretations and modifications gave the work a distinctly American flavor, attuned especially to the circumstances of New York's leading interests in finance and commerce. Anything in the McCulloch text that was too subtle or was what he called in conflict with common experience, was disposed of in a note in favor of "common sense."

Political economy, he declared, is the preacher of righteousness and an eminently practical science. True, public not private wealth is the object of inquiry, but the principles of public wealth are those of private wealth, for the public wealth is the sum of individual wealth. Furthermore, a knowledge of the principles will make men not only sounder legislators, but also better merchants and businessmen.

He accepted the teachings of Ricardo as superior to those of Adam Smith. The main truths of the Ricardian system, he said, are that all paid labor is productive; that rent forms no part of price—"that of the raw material being governed by the labour of production on land which pays no rent"; that exchangeable value is regulated solely by the quantity of labor worked up in the commodity; and that the fall in profits with the progress of society arises from the increased difficulty of production on the land—in other words, from the necessity of resorting to inferior soils as population presses on the means of subsistence.

Ricardo's doctrine of cost of production and Adam Smith's doctrine of supply and demand to explain price are both right to a certain extent. But as a practical rule, Smith's principle of supply and demand is more valuable. Ricardo's principle is true but is modified by so many powerful causes as to make it impractical in many cases. Thus the natural price of labor is the lowest rate of supporting a laborer and his children, but the market price in new and fertile countries is always much greater and must so continue under a "liberal" policy that is free trade. Increased population brings sufficient competition for employment to reduce it to a natural price.

However, the doctrine of the cost of production best explains failures in business. Since the natural price of the commodity is regulated by the cost at which the industrious and skillful can produce it, comparative indolence and ignorance will be undersold in competition. The failures erroneously complain of fortune or favor rather than themselves. They are parsimonious without being economical, extravagant of time, order, and practicality; and thus fortune and favor, the servants of merit, desert them, their business declines, friends fall away, debts increase, and ruin ensues. No invidious distinction should be drawn between employments. Every man who is neither a thief nor a beggar is productive. If he maintains himself, he must produce the direct means of subsistence or something of equal value.

Capital, said McVickar, includes immaterial wealth, such as acquired skill and learning, as well as material wealth. This view places education on a level with moneyed capital, elevates the artist, the scholar, and the scientist in the scale of society. In fact, the material form of capital is unimportant, for the real capital is spiritual, existing in value and use in its relation to the wants of man and the needs of society. Thus a man's capital may be doubled or cut in half without altering its material form in the slightest. This is illustrated in every rise and fall of property—e.g., city real estate may double in value by increase of inhabitants; or, on the other hand, houses without a chance of tenants or ships without freight may fall drastically in value.

Prophetic of future radical conclusions that might be drawn from Ricardo was McVickar's objection to Ricardo's supposed "reduction" of capital to labor. He objected to Ricardo's "metaphysical" doctrine that labor is the source of wealth, as he understood Ricardo to say. "This position is rather morally than scientifically true." True

all economists agree that capital is nothing more than the accumulated produce of previous labor, but this does not mean that the returns to capital are in the same category as the wages of labor. Certainly "no system will long stand, however analytically true, which thus opposes the common sense and daily experiences of men."

By a proper handling of the Ricardian doctrine of rent, he made great landowners appear in the capacity of possessors of no rent lands. Distance of the land from a market and the previous labor of clearing render a landowner poor in the midst of the materials of wealth and will make the return of land no more than a fair equivalent for the labor necessary to cultivation. Thus has arisen the anomalous class of indigent rich men here—capitalists with funds locked up in lands which the need of society has not yet brought into cultivation. They in effect starve in the midst of bounteous materials.

A somewhat similar modification enabled him to justify state canal construction. The gain to society from canals is the labor saved, he said. None is injured except temporarily. The farmers on Long Island and along the Hudson opposed the recently completed Erie Canal for fear that the cheap transportation would reduce the price of their produce by throwing open new sources of supply. But they had not foreseen the superior profits of the new application of land demanded by the extended wealth and population of the city. The Long Island farms have turned into highly profitable gardens.

McVickar forgot state construction of canals as he enthusiastically praised free trade as the ideal system. It is the "liberal system" as against the restrictive system of tariffs, bounties, monopolies, and prohibitions. It holds that the national interest is best consulted by letting individuals be unrestrained in the pursuit of profit, since the national wealth is only the sum of individual wealth. The other system looks to agriculture and internal trade as most entitled to government aid.

On the other hand, he felt that farmers should be content with their low profits because the gain is more certain, the life more charming, in comparison to the tumult, toil, and wealth of the city. This shows that political economy is a moral science resting not merely on physical wants, but also on the desires and passions of men.

The root of the evil of manufactures is the neglect of the education of the young who compose the working force. Wherever a wise parental affection is not sufficient, the check lies in the power of the law or the influence of voluntary associations to regulate the age and

working hours of the children and make provisions for their sufficient education. Thus manufactures carried on under parental guidance are the best.

In view of the necessary safeguards, however, we should not hurry the development of the country from an agricultural to a manufacturing nation. Manufactures will come with the increase of population and capital, and let it be our boast that "we had the wisdom to attain the good and avoid the evil." Certainly the health, freedom, varied toil, and patriotic attachment of the husbandmen cannot be exchanged without some loss of happiness and virtue. But so long as manufactures do not demand a protective tariff they are good. These evils are incidental, and manufacturers enlightened as to their real interest can eliminate them, as Robert Owen has done at New Lanark.

The national gain from machinery is the balance after subtracting the interest of the capital invested in the machine, including repairs from the wages saved. In Europe, laborers have violently opposed the introduction of labor-saving machinery. True, the immediate effect for labor in Europe is temporary unemployment, but ultimately the reduction of price of the commodity expands the demand of the commodity so as to absorb the unemployed.

The Malthusian doctrine proves the viciousness of the poor laws. These laws ruin character. They expropriate a share of the wages of the industrious laborers, for they subtract from capital, which determines the amount of wages. Since the cause of poverty is ignorance and vice, the best poor laws are provisions for charity schools, common schools, education societies, houses of refuge, well-regulated penitentiaries, and a restraint on intemperance. The latter, in the form of licensing the retailing of spirits, differs from the other and unwise restrictions on free acquisition because it is part of the guardianship which belongs to the laws over "the poor, the ignorant and the vicious."

But, characteristic of the difficulty of reconciling Ricardian economics with the market phenomena was the somewhat confused manner in which McVickar handled gluts and general overproduction. What he called sophisms, as a "theorist" of the free-trade tradition, he accepted as he attempted to dispose of them. The most dangerous sophism of political economy, he held, was one attributed to Malthus—namely, that public expenditure is the cause of individual accumulation. This has considerable popular support in the United States, he added, because of the spur given to industry and capital

during the late war by the lavish expenditure of government loans. The error is easy to trace. When a government enters the market after making a loan, like other consumers it supports the nation's productive industry to the amount of its disbursements. A million expended by government has the same effect as a million expended by a foreign consumer, but the foreign consumer's expenditure is so much wealth added to the nation's capital.

Sismondi and Malthus also argue that a country with great facilities of production may produce so much that considerable unproductive consumption is necessary to stimulate industry and prevent the overtrading of the market. But, said McVickar, whatever is the principle's applicability to a country like England, so long as the United States has forests to subdue and canals to open, no injurious surplus of capital, labor, or commodities can occur. The gradual improvement of the country will absorb for centuries a potential redundancy, and the increase of population at the same rate will constantly afford a wider market and more varied consumption. In other words, the rapidly increasing population gives life to the productive industry of the country and averts for a long time the evil of a permanently overloaded market. A temporary general overproduction or glut can arise, but only from the dislocations of war. The remedy for the distress is not in legislative provision or unproductive consumption, but in individual industry and economy.

Most pressing at the time were controversies over the usury laws and control of banks. With the banks falling afoul of the usury laws, he opposed the laws as unwise government interference with private concerns, as Noah Webster had done. The rate of interest is regulated, as are all market prices, by supply and demand, with demand based on the profit of the business or speculation to which the capital is applied and the supply based on the amount of disposable capital thrown into the market. Consequently the usury laws are worse than futile. They check investment and force needy borrowers to resort to unscrupulous lenders who charge more than the natural rate to cover the added risk of violating the law. Finally, they are discriminatory, since all other prices are left free, even profits in any other form. To emphasize the matter, he reprinted another of McCulloch's articles, "Interest Made Equity," the following year and in the introduction called on New York to take the lead in abolishing usury laws.

As for the banks, in his *Outlines* McVickar had found the existing

system of chartered banks admirable. "When a number of banks exist together, as in this city and country, the public are saved the necessity of guarding against overissue by any individual bank by the mutual jealousy of rival institutions." But with the glaring exposé of bank practices shortly after, and the demand for an effective system of control, McVickar in a public letter, *Hints on Banking*, addressed to a friend in the legislature, proposed "free trade" in banking as a remedy. He contended that the chartered banks constitute reprehensible monopolies, that the charters were often obtained by corruption, that many of the banks are merely stock-jobbing or get-rich-quick schemes to the ruin of "innocent people," especially the "honest mechanics" forced to take their small notes.

The source of the evil is again legislative interference with the natural order by restricting banking to those having secured legislative sanction. But his remedy of "free banking" did not mean that any individual or group of individuals could issue bank notes, but that banking "may be freely entered into by individuals or associations" under the provisions of a general statute of incorporation with its privileges. Those provisions were supposed to guarantee that the bank notes could always be paid. Acting on a suggestion of Ricardo with regard to the "country" banks, McVickar proposed that the bank notes under the "free banking" system be covered for 90 per cent by depositing government securities with state authorities.

As a further check he added a suggestion from Adam Smith that bank notes under five dollars be prohibited. His "free banking" system, he felt, would prevent the ever-increasing demand for more note-issuing banks, provide a stable medium, and prevent the evils of the "country" banks that live on bank notes rather than deposits. The New York state legislature adopted, instead, Republican Governor Martin Van Buren's proposal that banks contribute a percentage of their capital to a "safety fund" for reimbursing holders of the notes of broken banks. But then charters were considered so sacred that the new act could apply to old banks only when their charters expired. McVickar's proposal, however, proved fertile, so fertile that it turned up as "radical" doctrine in the next decade.

### SAMUEL YOUNG: REPUBLICAN RICARDIAN

One of the great Van Buren leaders was another Ricardian, Colonel Samuel Young (1779–1850) of Ballston Spa, Saratoga County, New

York.[9] He was a distinguished lawyer, politician, and capitalist. Though he had only a common-school education obtained while working on a farm, he became quite adept in the use of the great authorities of classical economics.

He first rose to prominence during the War of 1812. He became speaker of the assembly, and his ardent support of the war, through espousing such measures as chartering joint stock companies for privateering, won him a place on Governor Tompkins's staff with the title of colonel. Union College honored his intellectual talents by according him an honorary LL.D.

After the war Young was outstanding as a state leader of the Republican Party. It was Young who led the successful fight in the New York Constitutional Convention in 1821 for abolishing the freehold franchise for voting that was dear to the Federalists, led by Kent. But it was also Young who successfully insisted that the franchise must not be given to paupers. After using the familiar general slogans for extending the franchise, he led his party in changing sides and arguments on the question whether blacks should be treated the same as whites; he successfully put through a measure that raised the original property qualifications for blacks, though critics pointed out that he had ardently supported the act for forming black regiments during the war.

There was a similar ambiguity in his tactics in 1824. He was the candidate for governor of the Van Buren forces, which were supporting the "strict constructionist" Crawford for the presidency and bitterly opposing the direct election of presidential electors, but he himself claimed that he was a supporter of Clay and direct election of electors. And he suffered the mortification of overwhelming defeat by the aristocratic De Witt Clinton, who ran as the "people's" candidate and a supporter of Jackson.[10]

In part his defeat arose from his change on the question of state aid for internal improvements. In 1817 Young had supported the construction of the Erie Canal, which passed through his county, with an anonymous *A Treatise on Internal Navigation.* He was made a member of the board supervising its construction. But with agitation for more canals and with Van Buren Republican leaders opposed, he now began to see state construction of canals as a violation of the fundamental axiom that government must not interfere with private enterprise.

Young was in such repute that in 1826 he delivered before the New

York Alpha of Phi Beta Kappa, at Union College, a discourse on the need of diffusing the science of political economy. With McVickar's recent *Outlines* to guide him, and with due acknowledgment to McVickar's abilities, he called for diffusing the "liberal" system of *laissez faire*. Such knowledge "will repress the querulous propensity of man" and make the poor contented with their lot. The poor are inclined to envy the rich, but if all were as destitute of wealth as the poor, they would be without employment and thus without bread, for capital employs and pays the laborer and keeps industry in motion.

In Europe, because of the density of population and the constant tendency of population to press upon the means of subsistence, the masses are doomed to starvation, ignorance, and degradation. But in the United States, even if no further improvements in the arts of life occur, an increasing population will find adequate means of support for a considerable period because of the vast public domain.

He was much more emphatic than McVickar on the vicious nature of usury and poor laws. The poor laws spring from a despotic past. In fact, the poor would get better treatment if their support were left exclusively to the liberality of individuals, because their sufferings address themselves to the best sympathies of the human heart.

Of course, he now castigated those who favored state aid for internal improvements. The enormous amounts already thrown away by the state in grants, donations, and revenue, he said, threatens the state with heavy debts and taxes, and thus the destruction of its happy republican government. The fundamental principle is that works of labor and the accumulation of wealth appertain to individuals, not to government; for government must always operate them as a losing business. Since government is the agent of the community and since construction would require superintendence by agents, government public-works programs mean that they will be superintended by an agent of an agent. But political economy truly teaches that the great mass of individuals are chiefly intent on serving their own pecuniary interest, and the word of God pronounces that "no man can serve two masters."

This called especially for state refusal to acquiesce in the demand for a great state road from Lake Erie to the Hudson River through the counties bordering on Pennsylvania—the path later taken by the Erie Railroad.

Young asserted that the so-called "sequestered" position of these counties was an illusion. According to the Ricardian doctrine of rent,

the price of land is determined by differences not only in productiveness, but also in location. Since New York's agricultural market is a foreign one, land on the Hudson bears a higher price than interior land, even though it is not necessarily more productive. Thus the settlers in the sequestered area of the proposed road have paid a proportionately lower price for their lands. But, as population increases and little food is exported, lands of the same quality will bear everywhere the same price, and thus the land of the sequestered area will rise to the value of the Hudson lands, in accordance with Ricardo's "profound and ingenious" theory of rent.

The success of the Erie and Champlain Canals unfortunately creates the delusion that other public works would be profitable for the state. These are profitable because they pass through isthmuses that separate immense inland seas from the Atlantic Ocean. Consequently, no matter how wastefully they might be constructed, the state could not lose. Why, then, did not private enterprise undertake them? The science of canal construction, replied Young, was not then understood, and the projects were too long and expensive for private enterprise. These reasons do not apply to the new projects. Sufficient capital, skill, and enterprise are available for internal improvement, and the love of gain will induce individuals to undertake such works if they offer a reasonable pecuniary reward.

But worst of all is the prospect that the state expenditures will speed the country to that gloomy destiny set forth by Ricardo. With the increase of population there must come inevitably recourse to inferior soils and increasing misery to the poor. If the proponents of internal improvements "could see the squalid misery and privation" of their descendants, they would not add the grievance of taxation to the unavoidable calamities which a dense population is destined to meet.

In fact, it is more important to avoid public burdens under our republican government than it is under despotic European governments. There religion is supported by the strong arm of the law; here religion rests for pecuniary aid on voluntary contributions. If heavy taxes are imposed, the people will not or cannot support religion. Vice, poverty, and ignorance with all their evils will deluge the land. The blessing of universal suffrage will be a calamity to our then ignorant, degraded, oppressed population. The fate of republican political institutions committed to the fury of an ignorant and starving mob can be readily anticipated.[11]

Just as Young and McVickar reached different conclusions on canals and roads, so they differed on the tariff.

In the address and also in his earlier treatise on canals, Young explained, in accordance with the familiar infant-industry argument, that in a new country like America, lacking skill and capital, government should encourage and sustain factories by temporary aid. The little capital accumulated in the United States is confined to the commercial cities and will not be attracted to superior enterprises unless a superior profit is offered. Thus government encouragement applies especially to cottons, woolens, and ironware, for with the raw materials a domestic product should eventually be produced at a lower cost than the imports. The high wages prevailing at present should be no bar because the great inventions dispense with one-half the human labor required.

This interesting "exception" to the universal truth of *laissez faire* on Young's part was partially explained by the great interest of the Van Buren leaders in preventing the opposition from getting the votes of the advocates of a high tariff for woolens.

In 1827 Young appeared as one of the delegates to the State Convention at Albany preparatory to the Harrisburg Tariff Convention, to request Congress to "protect home manufactures and encourage wool growing." Young spoke in favor of the resolutions adopted: That the main source of this country's prosperity has been congressional laws to protect the great economic interests of this nation from the exclusive monopolies and bounties of other nations. Since the staple agricultural products of the South are admitted into Europe without competition in their production, and "since both competition and prohibitory laws" operate to exclude from a European market the goods of the other sections of the Union, it is "unkind in our southern brethren to oppose the passage of laws . . . calculated to create a home market for our agricultural productions and to promote our national wealth and prosperity." [12]

Young was appointed one of the delegates to the Harrisburg Convention,[13] but by the time the convention met Van Buren was definitely behind Jackson and feared with good reason that the Harrisburg Convention would be used to support the aspirations of Clay. So Young was not present at the convention. Doubtless for the moment he could feel that he had vindicated the universality of *laissez faire*. Time would bring other shifts.

## CHAPTER XXI

# The Southern Tradition of *Laissez Faire*

### THOMAS COOPER: FOLLOWER OF JEFFERSON

MOST dramatic of the Ricardians was Thomas Cooper, M.D.[1] His generation thought he knew everything. Jefferson considered him "the greatest man in America in the powers of the mind and in acquired information." [2] In temperament Cooper belonged among the adventurous souls of the time—Paine, Barlow, and especially his good friend Bollmann. Like them, he was a product of the great revolutionary period; and, though he ended as an academician, his movements never ceased to have the character of easy adjustment to the "sudden" changes of scene that the revolution had engendered in its survivors.

Cooper came from upper middle-class stock. He grew up in the great commercial and industrial city of Manchester, England. His family was sufficiently successful in manufacture to send him to Oxford to study law. But while obeying his father's wish that he become a lawyer, he also became interested in medical subjects and a host of intellectual activities in London which pointed to politics. In 1781 he met Priestley, who became his lifelong friend and mentor.

Moving in Priestley's circle of vigorous, respectable reformers, Cooper for six years set forth heterodox views on metaphysics, theology, physiology, and politics. On his return to Manchester in 1785 he became a partner in a calico printing concern, but in the light of his intense interest in politics and things intellectual, it was not surprising that the concern eventually failed.

An ever-pressing need of a livelihood is not something which can be kept from affecting one's intellectual views. And in Cooper's case, as in that of Thomas Paine and myriad reformers of the period, it often accounted for some striking shifts of position in the course of time.

Cooper's views were unchanging in two respects. One was his "materialistic" philosophy. This was essentially like Hume's association type, and in form like David Hartley's "physiological" philosophy. It differed from the Common Sense variant in its eschewal of supernatural truths and sanctions. Utility, not supernatural commands,

was the great ethical canon, and this functioned through self-interest as the sole criterion of human action. Men behaved altruistically because, through the association of ideas, the pain of others brought pain to them. The canon closely resembled Adam Smith's canon of "sympathy." Cooper claimed that "we can only reason from what we know";[3] that the truths deduced flow strictly from the facts of observed experience or history as the sole source of knowledge.

Cooper's "facts" changed with the requirements of his shifting positions, but his formal canons led him on the one hand to insist on the freedom of opinion and the need of statistical inquiry, and on the other hand to assert dogmatically as universal truth whatever position he held at the moment.

Cooper's other enduring view was his admiration of the life of great cities. Fate might place him for a considerable period in what were essentially country villages, but his gaze was ever toward the great cities with which he was familiar in the Old World, or their lesser prototypes in the New World. As the centers of great industry, finance, and culture, especially for men of "science," they seemed to him the centers of civilization.

In his native Manchester, Cooper became very active in various reformist movements. In 1787, in his *Letters on the Slave Trade*, he denounced as inhuman and un-Christian England's participation in the slave trade and the existence of slavery in the British West Indies.

He was already deeply interested in a problem of great concern to the new industrial cities of England and the central problem of respectable reformers—namely, their lack of equitable representation in the House of Commons because of the existence of rotten boroughs. This, of course, led Cooper to speculations on the nature of government and the suffrage. On the outbreak of the French Revolution he was soon among that body of respectable Englishmen who hailed the event as the harbinger of the much-desired constitutional reformation of England.

Like Paine and Barlow, he was made a citizen of France. On being denounced by Burke as a traitor and conspirator, with due acknowledgment to Paine's *Rights of Man* and Barlow's *Advice to the Privileged Orders*, he retorted in 1792 with the familiar praise of the United States as the ideal republican land, denunciation of the "privileged orders," and demands for what seemed to be manhood suffrage and public instruction for the poor.[4] At the same time, he became involved with Barlow and Paine in their schemes for seizing

the Spanish possessions in North America. In fact, he brought Imlay to Brissot's attention.[5]

After the scheme collapsed with the fall of Brissot, Cooper with two sons of his intellectual mentor, Priestley, came to the United States to investigate the possibilities in land settlement. They organized a company to promote settlement for Englishmen on some Pennsylvania lands, and Cooper returned to England to push the project. In 1794 he prepared a volume on his "observations," called *Some Information Respecting America.* Consisting mostly of extracts from the promotional literature of Franklin, Tench Coxe, and similar sources, it presented the usual glowing account of the United States as the land of equality and opportunity for poor and rich. William Cobbett in his spleen later said, "Hundreds of poor deluded Englishmen curse the hour in which the author was born." [6] Though the settlement scheme was unsuccessful, Cooper and Priestley decided to try their fortunes in the new land.

In the great political controversy over the demand of the Federalist Party in 1798 for outright war with France to protect American commerce, Cooper sided with Jefferson and lectured his opponents on "political arithmetic." Those who preach *laissez faire* and the superiority of agriculture and home trade over foreign commerce, he said, are ignorant of Adam Smith and the Physiocrats.

This does not mean that foreign commerce should be restrained, but rather that a state should not give military protection to commerce because the pecuniary cost of wars and navies is greater than the profits to the American merchants; and thus a national loss. If merchants choose to invest in the risky speculative business of foreign commerce, let them take the risk as other adventurers do. It was natural for Cooper to embellish the account with praise of farmers as the source of all wealth and virtue and denunciation of merchants as monarchists and internationalists. The whole scheme of naval protection, he said, is nothing but a heavy tax on mechanics and farmers for the benefit of British agents in the commercial towns.

More significant was his presentation, in the course of his castigations, of the first estimate of national wealth and income, even though based on the highly speculative method of "political arithmetic." His ardent wish was that "the scattered facts of political economy and statistics, young as these sciences are, be collected and compared, that we might get at the important inferences they afford." [7]

Cooper ran afoul of the recently enacted Sedition Act for his casti-

gation of President Adams and his Administration. Found guilty in 1800, Cooper was given a six-months' jail sentence and fined four hundred dollars. No sooner was he free than he began to attack the Federalist Pennsylvania Senate which threatened to prevent Pennsylvania's electoral vote from being cast for Jefferson. The state senate, like the national senate, he said, originated from the unfortunate tendency to emulate the complex and anti-republican forms of the corrupt aristocratical British system. The four-year term and election of only one-fourth of the members each year make it unresponsive to changes in public opinion. To accomplish the necessary changes in the judiciary as well as the senate, a state constitutional convention should be called immediately.

After the Republicans won the state as well as the national election, Cooper received a state judgeship and other rewards. He, like Priestley, began to view existing arrangements as ideal. However, a party, "The Friends of the People," arose to demand the changes Cooper had advocated. Cooper charged them with acting not on the basis of experience, but on abstractions, as the French Revolutionists did. They oppose gradual reform, and would introduce "a too strong habit of insubordination." The science of government, like that of chemistry, is a science of experiment, and a political philosopher should deduce the principles "from a close observation of, and a fair deduction from, past facts." Revision of the constitution every twenty-five years would give the benefit of sufficient experience, but the present period of revolutionary excitement is no time for calling a constitutional convention.

Charged with depravity for surrendering his liberal opinions, Cooper insisted that he still adhered to his general principles of government emanating from the people, and of opposition to bishops, kings, and nobles; but his views on details had changed. Observation, reflection, and reading had made him wiser, he declared.[8]

In 1811 Cooper's fortunes took a turn for the worse. Petitions had poured into the legislature complaining of his despotic court behavior, his financial interest in certain cases, and his Federalist sympathies and associations. Despite pleas from state senator Nicholas Biddle, the governor, upon the joint address of both bodies, removed him from office. Cooper now found, he informed the public in his *Narrative of the Proceedings*, that democratic government has such grievous faults that it might collapse. The Republican Party in Pennsylvania, he wrote, despises an "aristocracy of talents." The seat of

the trouble is universal suffrage, for in a republic this means that the ignorance of the community is almost exclusively represented in the legislature, and "wisdom and wealth" are distrusted.

His good conservative friends of both parties got him the professorship of chemistry at Dickinson College in Carlisle, Pennsylvania. A keen friend declared a little later: "Cooper has undergone as many metamorphoses as Proteus. . . . In the course of the last twenty years, he has been farmer, lawyer, patriot, belles-lettres cognoscenti, and professor of chemistry . . . doctor in medicine and professor of law. As farmer he spent all his money; as lawyer he made some; as patriot the Federalists imprisoned him; as judge the Democrats became enraged at him." Then the Federalists made him professor of chemistry.[9]

Though Cooper associated with Federalists, he considered himself a follower of the sage of Monticello, and Jefferson lavished such praise on him as only Jefferson could when he wanted to attract and hold a person who could be useful. As before, Cooper supported Jefferson on the issues on which Jefferson took a decided stand. Cooper at first did not approve of Jefferson's reprisal measures against British interference with American commerce. England, he said, would not forget America's ungenerous conduct when her very existence was at stake. But his great admirer, the President, convinced Cooper that, since commerce is permitted under the Constitution, the government must protect it like any other legitimate enterprise, and if the United States did not protect her commercial rights, she would become the plunder of all nations.[10] Cooper saw the light and even outdid Jefferson. He reversed his denunciations of merchants as causing wars to a justification of the embargo and subsequent measures of like character.

Once more Cooper brought out all the familiar arguments for protection to home manufactures. It was Cooper who suggested to Jefferson that if protection were given to manufactures, the industrial interest of New England would break away from the secessionist-minded commercial interest and support the Administration and the Union. The protection should be permanent, for it would be unfair to entice the citizens to embark on the hazardous speculation of new manufactures and then on a sudden peace in Europe leave them to the malignity of British competition.[11]

When war broke out, he intensified his activities on behalf of manufacturers. Having taken over the journal *Emporium of Arts and*

*Sciences*, he turned it into an organ of the cause. He announced in the prospectus that Pennsylvania in particular, if adequate protection were given, could become a powerful manufacturing state. She has in coal and iron ore the two commodities that have made Great Britain pre-eminent in manufactures and commerce. The social results of protection would be even more valuable. Manufactures render the population compact, which is desirable, since a scattered population weakens defense, retards the communications of society and knowledge, tempts citizens to live in a half-savage state, and renders imperfect and expensive the maintenance of law and order and necessary subordination. Manufactures would help agriculture not only by providing a home market, but by the general improvement in machinery and the great energy which is highest in manufacturing countries. Finally, manufactures promote highly useful scientific subjects such as mathematics and physical science, for they are common to manufactures.[12]

It may be said, he wrote Jefferson, that if manufacture is introduced, "you introduce capitalists who live by the life blood of the starving poor whom they employ," and that the mass are "systematically kept in abject poverty and to all real purposes and interests enslaved." But the great increase in national power and wealth might overbalance the evils. For instance, how can armies be obtained for defending the country, when by a kind of idle labor a man in four or five days a week can earn enough for subsistence and in addition enough whisky for intoxication? [13]

Cooper was very unhappy at the college. He felt he was not being given the opportunity to play the role of statesman and lawgiver. Instead he was buried in a country college at a meager stipend of $800 a year, forced to do hack writing and to put up with what he felt to be intolerant contending sects of clerics who controlled the board of trustees and the faculty. The source of the deficiency was the democratic character of America, for learning accompanied wealth. The more dissatisfied he became with his personal state of affairs, the more gloomy he became about democracy. He denounced as "too theoretical and too democratic" Destutt de Tracy's *A Commentary and Review of Montesquieu*, which Jefferson approved and translated.[14]

After the peace his gloom increased. He was more convinced than ever that experience revealed that universal suffrage and popular rule were the source of all evil. He summed up the whole matter with

brutal frankness in the proposition that the propertied constitute the nation; the propertyless have no permanent stake or interest in the country; they are mere sojourners. In fact, the executive should be made stronger, election less frequent and office less rotary. As he looked into history he found verification. The republican or democratic character of the ancient Greek republics was the cause of their turbulence and convulsions, he said.

He was so lavish in his praise of Adams's *A Defence of the Constitutions of Government of the United States of America* that mutual friends thought Adams ought to forget "Tom" Cooper and help "Thomas Cooper." [15]

He found that the whole program of Hamilton, whom he had sharply attacked in the good old days before Jefferson became President, had been eminently beneficial. The first Bank of the United States, he declared in 1815, should unquestionably have been rechartered. True, the bank may have been unconstitutional, but it was expedient. Worse still, to question a measure acted upon as constitutional and acquiesced in for twenty years would shake the foundations of property itself.[16] But the new bank should not be a specie bank; on the contrary, in the 1816 controversy he supported his friend Bollmann's proposals for a national bank issuing inconvertible notes and subject to no direct government control lest it become merely an engine for government to issue unlimited amounts of paper.[17] Even Bollmann's platinum token coins had his support.[18]

With Bollmann around, Cooper naturally got involved in that enterprising individual's other business ventures, especially one that concerned a promoting company to light Philadelphia street lamps by coal. Cooper, as might be expected, began by showing the great importance of coal in modern civilization. Coal is the main source of national strength and prosperity in "the modern system of political economy where wealth is derived from commerce founded in great part on manufactures." [19] But people are as yet ignorant of its uses, and anything that tends to bring coal into public estimation will be a public benefit. Cooper called on Philadelphia, in his *Some Information Concerning Gas Lights*, to take the lead in the country in lighting its street lamps by coal instead of by whale oil, which he claimed was becoming scarcer and dearer. Of course, it should be done by a private company. He informed the public that he was ready with the proper plan of machinery and company organization gleaned from books and from information obtained "from intelligent men"

who attended to the process, especially in London. Among them especially, he said, was Bollmann.

Meantime, in 1815, Cooper finally resigned his college post and left for Philadelphia. The city was doubtless the most desirable place in the country to him because it most closely resembled London. But he was forced to make his living primarily from literary hack work. He hoped to obtain the lucrative professorship of chemistry at the University of Pennsylvania. His successful competitor was none other than Robert Hare, who had much the same political and economic views as Cooper but was formally an anti-Jefferson Federalist. Cooper was defeated for the post in 1819 by "family influence" alone, according to Jefferson.[20]

Jefferson thought so highly of Cooper's talents that since 1814, when he began thinking of a state university, he had been soliciting Cooper for his ideas of a proper institution. Cooper replied that the university itself should be controlled by men of the world and should turn out men of the world. In the senior year there should be lectures, among other things, on the theory of general politics and government, with students taught first of all from Aristotle's excellent book; and then would come "political economy and statistics." [21]

Jefferson was still so impressed with Cooper in 1819, when the university was formally established, that Cooper was intended to be the first appointment. But before final arrangements were completed, protests were made to the Virginia authorities against the selection. Cooper was, of course, known as a stormy character; there were some complaints that he was heterodox in his religious views and had gone out of his way in particular to attack the Presbyterian clergy. But the most serious charge, and a charge that Jefferson tried valiantly to explain away, was that Cooper drank excessively.[22] Cooper, aroused not only by the opposition but also by the delay in opening the university, accepted instead the following year a post at the state-supported South Carolina College and shortly became its president.

Cooper came to South Carolina at a time befitting his fighting temperament. This cotton state was taking the lead in the battle against the tariff on the grounds that it violated sound economic doctrine and states' rights. Cooper, with his enormous learning and his ringing rhetoric, was just the man to teach the rising generation of South Carolina statesmen the evils of consolidated government, the encroachment of the federal power. Though he was sixty-one, he felt

that he might yet play the role of elder statesman and acted accordingly in advising politicians, attending conventions, and turning out quantities of articles on controversial questions for newspapers and periodicals.

It might be thought that Cooper's denunciation of slavery in England and his more recent espousal of protection would have proved insuperable bars, but Cooper had changed his mind on both these questions before coming south. Certainly as early as 1812 he had begun a decided shift on slavery, though he still believed slavery a moral blot. He inserted in his edition of *The Institutes of Justinian* that he had no right to say that slavery makes men unjust and unfeeling of the sufferings of a fellow creature, because these dispositions are very frequently "counteracted by the natural good qualities of the master and by the general manner of civilized society at a period when kindness and humanity are fostered and respected by public opinion."

In South Carolina he was just as enthusiastic a defender as he had once been a critic of the institution. The blacks, he argued, are an "inferior variety of human species" and not capable of the same improvement as the whites.[23] Emancipation would simply convert the blacks into a class of vagabonds and thieves, for the first object of every Negro is not the improvement of his condition, but a life of idleness, freedom from all kinds of labor and exertion. Economically the southern climate renders black slaves necessary. The greatest sufferers from emancipation would be the North, for northern commerce and prosperity are built on slave-produced staples.

On the question of Missouri, he stood with southern sentiment. He declared that the northern opposition came from blind religious and philanthropic enthusiasts and from northern land speculators who wanted to prevent southern slaveholders from bidding for the public lands in the territory. He prophetically stated in 1828 that congressional "tampering" with the institution, including its spread to new territory, was the one thing that would lead to the dissolution of the Union.[24]

While still in Philadelphia he had changed on the tariff along with Jefferson and other southern leaders with the beginning of the agitation in 1819 for a truly prohibitory tariff.[25] On arriving in the South, he intensified his fiery attacks. He became so excited over the tariff that in a famous speech in 1827 he declared that, under Clay's American system, "we of the South hold our plantations . . . as the serfs

and operatives of the North: subject to the orders, and labouring for the benefit of the master-minds of Massachusetts, the Lords of the spinning jenny and Peers of the power loom!" [26] If the Harrisburg Convention had its way, he felt, the value of the Union to South Carolina might not be worth the cost, and the question would therefore be abject submission or separation.

Of course, he found that the tariff legislation was the outcome of popular rule, of the detestable principle that the majority should govern. This was easily shown. The representatives in Congress, instead of acting for the national welfare, were forced under "universal suffrage" to obey the whims of their constituents. By such reasoning he convinced himself that the pressure of manufacturers' conventions for higher tariffs was to be traced to the irresponsible mass who were easily directed by the powerful and selfish manufacturers.

As on past occasions, Cooper found his early defenses of the tariff used against him. Carey answered Cooper's attacks by reprinting Cooper's "irrefragable arguments" from the prospectus to the *Emporium of Arts and Sciences,* but Cooper simply replied that he had supported a "moderate" tariff in the emergency situation of threatened and actual war. Then, "when have I varied from the orthodox principles of Adam Smith?" If the Union cannot be brought back to its original meaning, of those few powers specifically delegated to the federal government, then the sooner the Union is ended the better; "peaceably if we may, forcibly if we must." [27]

The world of affairs remained the center of his efforts, but as a college president and professor he had to devote some time to his students. Since they were learning to be legislators and statesmen as well as efficient managers of estates, he stressed from the start the need of giving special attention to "political economy" or, as he put it, "political economy and statistics." Along with "politics," it was the subject especially appropriate to a college president, he now declared. The trustees had wanted him to include "metaphysics" among his many subjects of instruction. But he replied that, after having spent much more time in that field than most people, he found it practically worthless and proposed to substitute political economy since it was not a "science of conjecture but of facts and inexorable consequences." [28]

At first he used Marcet's *Conversations;* then, when it appeared in 1825, he used McVickar's *Outlines.* The following year he finished his

own *Lectures on the Elements of Political Economy*. He was now a follower of the "new school" of Ricardo, though, like Jefferson, he had dismissed the American edition of Ricardo in 1819 as "metaphysical," especially its denial of rent as a cost.[29] But after the appearance of McVickar's *Outlines* and Ricardo's growing prestige, he found that Ricardo was the second great father of political economy because of his doctrine of rent.[30]

Cooper so handled the Ricardian doctrine of rent that no question could be entertained of its ethical justification: Rent is the surplus above average profits and wages; it is no hardship on the tenant or imposition on the public. "Neither of these have a claim on the land equal to the claim of the landowner as recognized by the law."

Cooper felt strongly that students should have the right notions of property. Early in his treatise he said that there was little need of an investigation into the production, distribution, and accumulation of wealth if citizens lack perfect security in the acquisition, accumulation, and disposition of property. "It is to exclusive property (and to the institution of the marriage contract, which emanates from it) that we owe everything valuable which society has bestowed upon mankind."

Since rights are based on utility to society, they may be abrogated when they are clearly shown to have an opposite tendency, but this must be done with the minimum of damage to the affected individuals in order not to disturb the feeling of perfect security of property. Thus in England, where this is best understood, no reform of existing abuses is undertaken except on the principle that the present beneficiaries as innocent parties shall during their life enjoy a reasonable measure of the emoluments. Since the greater the profits the greater the capital and national prosperity, all laws interfering with acquisition or expenditure are unwarranted except in cases too plain to admit of discussion. Avarice may not be a morally desirable trait, but it benefits the community.

On the tariff, Cooper of course enthusiastically denounced the "protectionists" from all standpoints and with his customary dogmatism. But on other controversial questions, upon which sentiment in the community was divided, he was somewhat circumspect.

The evils of banks spring primarily from their excessive number. Existing banks should be subject to regulation, he said; but the regulations he proposed were perfunctory, since in all cases the private accounts and names of individuals should not be divulged.

Cooper's handling of the Bank of the United States was somewhat involved. Like South Carolina politicians in general, Cooper was constantly attacking the bank as a dangerous political monster threatening to swallow up every state institution. Yet at any really critical point he defended it. After all, he was a close friend of Biddle's. So, after informing the reader of the political danger of the bank, he said he was for prohibiting government "not only from any management of the Bank, but from any influence over its directors."

Cooper's discussion of slavery in his textbook was extremely mild. He apparently had in mind the use of the textbook outside the South. His discussion appears to be a clever proof that slavery would end without any need of government interposition, so at least friends of the institution thought.[31] He wrote: Slave labor is the dearest kind of labor, for it is labor forced from a class of human beings who have the "least propensity to voluntary labour, even when it is to benefit themselves alone." Slave labor is only profitable on the rich lands of Georgia and South Carolina. There white labor would be too expensive and the soil and climate incapacitate it in summer.

Usury laws and poor laws should be repealed. Notice should be given that in a few years all poor laws would be dropped. Meanwhile public relief of the most frugal kind might be given to every poor person unable to work from "actual sickness, lameness, blindness, old age, or who is an orphan child, and no other." Nothing, Cooper argued, could check the iron law of Malthus that population tended to exceed subsistence. Nor, as a matter of fact, did Cooper think such a state undesirable. In spite of his diatribes against manufacturers seeking a higher tariff, he believed as of old that the dense populations of manufacturing centers were the engines of national progress.

All improvements are the effect of the poverty resulting from the pressure of population on subsistence, he claimed. Though great cities contain contrasts of luxury and poverty, all human invention and useful improvement first occurs in them. More comforts and intense pleasure, "more pure and disinterested patriotism, more active anxiety to promote human improvements . . . are found in large cities than out of them. . . . The enormous capital [of the cities] seeking . . . employment and giving rise to demand, and of course to permanent population compensates fiftyfold for their partial defalcation from the sum of life."

Thus dropping the last vestige of the radicalism he favored in the nineties, he opposed any extension of education to the mass except the

most elementary sort taught in what would be charity schools. And at the same time he demanded that colleges and universities should be supported liberally with state funds because the necessary apparatus is too expensive for any private speculation. Though these institutions would in effect be closed to the poor, the grants would not be a misappropriation of public money for the exclusive benefit of the rich. The higher schools are an instrument of national benefit, like an army or navy for public defense. They are necessary to furnish the state with the same advantage derived from the possession of knowledge that its neighbors enjoy. The higher the scale of knowledge in the best society, the higher it will be in every other class, for "experience has fully shown that the progress of good education is downward."

He also felt that government should undertake the dissemination of relevant statistical data. He had himself at various times attempted to promote as a private venture journals and digests in the field, but he found no "demand." "Want of accurate facts to reason from, leads to mistakes and misrule." He even raised the question whether a statistical board or a permanent committee would not be desirable. Much of the required information "we have already provided for in our country, but it ought to come out as a matter of course, in an annual volume or volumes, to serve as a perpetual book of facts to reason from, as to the real state of the nation and the means of its improvement." In other words, it was to be something like Bollmann's projected catechism.

However, "it is the science of political economy alone, that can fully impress on our statesmen" the value of the necessary detail, and when the science becomes more diffused, the people will take care that the required information shall be promptly at hand when a law is proposed bearing on any part of this detail.

We shall see more of this fiery spokesman of dominant southern opinion in subsequent chapters dealing with the Jacksonian era.

## GEORGE TUCKER: HAMILTONIAN IN DISGUISE

To Virginia in place of Cooper came another "foreigner," George Tucker (1775–1861),[32] who became the first teacher of economics at the University of Virginia. He had extensive intellectual interests. He was a biographer, historian, geographer, satirist, novelist, and philosopher in general, as well as lawyer, statesman, canal promoter,

and land speculator. He had much the same conservative social philosophy as Cooper, but where Cooper was pugnacious, Tucker was urbane. By means of anonymous satires and novels published outside Virginia, Tucker managed to remain an aristocratic Federalist at heart in a Republican stronghold. Tucker, like Adams, believed that the love of esteem, the emulatory propensity, made men work for the social welfare.[33] But the "love of glory or fame" functioned best in a mighty empire.

Tucker came of a leading family in the aristocratic British colony of Bermuda, and he was closely related to the powerful Tucker clan of Virginia. At the age of twelve in 1787, he went to Virginia to be educated at William and Mary under the guidance of his distinguished Republican uncle, the professor of law, St. George Tucker, who, like Jefferson, had attempted to rid Virginia of slavery.

Tucker became a lawyer, but in that day the law was a profession pursued not so much for its own sake as for the opportunities it offered in politics and other fields. He was, of course, a Jeffersonian Republican, but he belonged to the conservative wing which never ceased to deprecate the errors of extreme "democracy." At the turn of the century he had belonged to that group of young Virginia lawyers in the state capital, Richmond, who under pen names, used their apparently ample time to fill the newspapers with satires on a host of subjects from the vulgar manners of Republicans to the latest fads in physical science, and he never lost the habit.

Tucker appears to have been involved at all times in land speculation, especially in the West.[34] After moving to Pittsylvania County, he became deeply interested in the near-by Roanoke Canal project and in even broader schemes of internal improvement. He became the area's representative in the Virginia legislature, but, like Cooper's, his heart lay in the great city of Philadelphia. Using the pen name "Thoughts of a Hermit," he wrote a series of articles during the War of 1812 for the conservative Philadelphia Republican *Port Folio*, sketching the destiny of the nation and the means of its achievement.

In less than a century, he wrote, the country's population will be one hundred million spread over a vast territory stretching from the Atlantic to the Pacific. It will possess large cities embellished with the choicest productive arts, magnificent canals and roads, seminaries of learning and other public establishments, supported from the national revenue. But it is claimed, said Tucker, that long before we reach this point of national power and grandeur, the West will sepa-

rate from the East. On the contrary, the West will be the great gainer, for it will supply the Atlantic states with muslins, cambrics, and other fine manufactures instead of horses and stock. The fertile districts will become the Flanders of America. They will be covered with populous cities and be the seat of wealth and luxury and liberal arts. Why so?

Manufactures arise in proportion to the density of population, and this in turn is in proportion to the fertility of the soil. When one man can produce sustenance for twenty, as is easily done in those fruitful regions, and most of the remaining nineteen are without land, as will eventually occur, the nineteen can obtain a livelihood only by exchanging the product of their labors in the arts for the surplus provisions of the landholders. Domestic manufactures will replace European ones. Europe will suffer all the mischiefs of an excessive population without its advantages, and consequently will decline in opulence and strength.

The war's cessation merely intensified Tucker's emphasis on the advantages of dense population and large cities. The great advantage of division of labor, in fact, can be obtained only in thickly settled places, he wrote in 1815; for only dense population can support a sufficient market for the growth and utilization of manufactures. Such areas, furthermore, save much unproductive labor in the way of sea transportation, but at the same time make feasible the construction of roads and canals.

Of course, the growth of dense population means the growth of the inequality of wealth, but the sparsity of population and resulting mediocrity of wealth account for the low state of literature and the liberal arts in the United States. In Europe, where professors are liberally rewarded because of the gradual accumulation of public and private bounty, there are great schools, able teachers, and extensive instruction. Of course, authors should be encouraged for the same reason that manufacturers are. Continued dependence on English taste deprives native authors of praise and profit and thus stifles genius. So Tucker came to Cooper's conclusion, that the growth of national wealth, literature, and culture depends on the powerful effect of poverty which dense population induces. The sum total of happiness would be increased because the large cities, possessing so many more opportunities for pleasure than the country, are more civilized and refined. Critics of dense populations might point to the lack of employment in London and the resulting wretchedness and vice. How-

ever, in proportion to population, said Tucker, vice and crime are probably no higher in London than in America.

Tucker was somewhat ambiguous but definite pro-Hamilton in handling the question of debt and the related question of whether a government should raise funds, especially for war, by loans or taxes. Mostly he found that loans have many advantages. They are preferable to immediate taxation because business enterprise will be less disturbed. Since loans are drawn from the nation's surplus income over expenditure, and since such a surplus is available as long as private industry and economy do not decline, the public debt does not necessarily lessen industry and economy. England could increase her public debt successfully because of her great internal improvement in which avarice, love of pleasure, ingenuity and even the necessities of individuals conspired to effect. In fact, public loans may augment private accumulation because men will exert themselves and retrench on luxuries to make the investment. In any event, a progressive income tax is inexpedient because it would cause discontent and stop industry.

Tucker defended the note-issuing banks similarly. The country's rapid increase of population and wealth as well as the unfavorable balance of trade makes the amount of specie insufficient for its expanding business. The competition of banks precludes them from being oppressive. Banks can be left to "their guardian genius, self-interest" if their notes are convertible, if they have sufficient capital as evidence of the support of substantial capitalists, and finally if they submit an annual general statement of debts and credits to the legislature. But, publishing the article at the time the banks were still on a non-specie paying basis, he added in a footnote that the present war period is extraordinary, and therefore the suspension of specie payments is wise and necessary.[35]

More directly indicative of the underlying objective of Tucker's thought was his *Letters from Virginia Translated from the French,* published in 1816, while he was still a member of the Virginia legislature. He further safeguarded his anonymous authorship by having it published in Baltimore. There was good reason for anonymity since it contained attacks on the policies and views of Jefferson. It evidenced a rather masterly use of that ancient technique whereby the aristocratic-minded can be business promoters and at the same time attribute all the evils of plutocracy to republicanism.

The "letters" were supposed to be some recently discovered ones

of a French traveler whose father had served as an officer in the French forces in the American Revolution. The son, like the father, had been attached to the royal house of the "unfortunate Louis XVI," had gone to England to live with a family attached to the cause, and was traveling with a servant through Virginia in the period of the despicable Emperor Napoleon and the equally despotic Jefferson embargo.

The embargo and other restrictive measures, declared "Traveller," were passed "to starve the English out of home and house," but their operation has been to impoverish the Americans. The critics are "nearly all *Federalists*, that is, as the word imports, friends to Union." But Virginians are much given to the republican traits of cockfighting and gluttony and excessive money-making. Sensible Virginians rightly complain that "our genteel laziness unfits us for the drudgery of commerce," but a change is coming about through interest in canals to promote the growth of great cities, especially Norfolk. "Traveller," it turned out, was talking for the same canal that his good friend and business associate Archibald Murphey [36] was; but to "Traveller" Virginia would be the gainer. Norfolk, possessing great natural advantages, only requires a proper public spirit and the liberal aid of the legislature to make it a powerful, flourishing city, he said. The disadvantages would be removed if the much talked of Roanoke Canal were executed, for then North Carolina's riches would be poured into the lap of Norfolk.

"Traveller" also bewailed the domestic slave trade and made a withering criticism of slavery, but it was aimed more at the Republican chieftain than at the institution. Jefferson had said in the *Notes on Virginia* that he advanced "it merely as a suspicion only that the blacks whether originally a distinct race or made distinct by time and circumstances are inferior to the white in endowment both of body and mind." "Traveller" declared that this "popular" opinion as to the inferiority of the Negro has been used by masters to justify their severity to the slaves. After an elaborate analysis to show that the "inferiority" of the slaves is not the outcome of nature but of "artificial association," the outcome of the degradation imposed upon the slave by the institution itself, he concluded that he and Jefferson really agree, for "I never doubted the actual inferiority of the blacks and if it be attributed to time and circumstance . . . time and circumstance may restore them to that rank in the creation from which they have been degraded." In other words, "Traveller" had no more

intention of tampering with the institution than any aristocratic respectable northern Federalist who used similar arguments in attacking the "despotism" in national politics evidenced by southern Republicans.

Elected to the federal House of Representatives two years later as a Republican, Tucker stanchly opposed the exclusion of slavery in Missouri. In his elaborate analysis in Congress in 1820, he found insuperable economic as well as constitutional objections to the proposal. All agreed, he said, with the Malthusian principles that the population will increase at its present rate unless checked by a reduction of the means of subsistence and that the means of subsistence will be abundant as long as wild fertile lands are available. It follows that if the blacks are confined to the slaveholding states while the whites are free to migrate to the more tempting West, the proportion of blacks will continually increase in slaveholding states.

What are the consequences? Since "the wildest political visionary does not think it practicable to amalgamate such discordant material," the two races would wage a war of extermination. Even if the whites should always be sufficient to hold the blacks in subjection, there is an economic cause which must force their freedom. As soon as population spreads over the whole country and cultivates all the waste land, white labor will begin to fall in value with every increase of population. As the price of labor declines, the value of slaves must fall proportionally until the cost of raising a slave will be greater than his worth. At this point, naturally, the slaves will be manumitted. With the blacks exceeding the whites in the present slaveholding areas, all the grave difficulties arising from the existence of the two races side by side must be encountered. Colonization will not solve the problem because the cost would be enormous. But if the slaves are allowed to spread evenly with the whites, as at present, they then must always remain less than the whites, and at the time when the self-interest of individuals bursts the bonds of the slave, emancipation will not disturb the safety of the state.

Meantime, he asserted, partial emancipation is making rapid strides, as shown by Adam Seybert's statistical analysis if it is correctly interpreted and not garbled as opponents of slavery expansion have done. True, Georgia has prohibited further emancipation and exported a number of free blacks, but if slavery is prohibited in Missouri, other states will follow Georgia's example. Reversing his previous praise of the West, he now found that the eastern commercial

states must oppose the restriction lest the free population of the West increase and thus its "political influence."

More clearly indicating Tucker's thoughts on slavery were his statements in another fictional tale, *The Valley of Shenandoah*, with its anonymous authorship this time effectively concealed by publication in New York. Tucker has a slave owner say that thoughtful leaders, finding that slavery admits of no safe remedy but "what time may bring some centuries hence," consider all speculation on rights which cannot be enforced except at the "expense of still higher and dearer rights . . . either as well meaning but shortsighted enthusiasm, as sheer folly or the hypocritical pretence of the lovers of mischief." The situation of the slaves is not so bad as outsiders think. The white man mistakenly supposes himself a slave, not realizing that the slaves were born such. "There is as much difference between their feelings respecting their condition, and those of a white man, as is the privation of sight to one who is born blind and one who has become so."

Likewise slave labor is not unprofitable, as critics assume. It is to the slave's interest to make as little and consume as much as he can if he is assumed to have the first feelings of our nature, the love of ease and enjoyment. But fear, habit, and emulation of neighboring farms and one another, yield a product little different from that of the freeman's labor. Similarly, they are in fact compelled to consume less than they would if they could command the fruits of their own labor.

In the midst of his labors in Congress Tucker published in 1822 his earlier *Port Folio* essays along with some new ones, in a volume called *Essays on Various Subjects of Taste, Morals and National Policy*. Of course, certain adjustments had to be made for the changes in dominant opinion in Virginia, but this was easily accomplished by the use of footnotes, addenda, and additional essays without substantially changing the underlying argument.

To one of a number of passages where he had advocated federal aid for roads and canals, he now merely added a footnote that when he originally wrote the essay it was taken for granted that the federal government had the power, but "now without fully considering the constitutional question," he is aware that strong arguments "can be made against the constitutionality of the power and of amending the Constitution to grant the power."

Many disturbing things had happened in banking since he pub-

lished the original essay in 1815, but again all he thought necessary was some addenda comments. He presented the familiar justification for suspension of specie payments and found that the Bank of the United States was necessary to curb excessive speculation and issues. The western states were blamed for prolonging the evil of inconvertible paper by creating new banks.

The abolition of banks of issue would not remedy the loss of specie; for, as Churchill C. Cambreleng had argued, bills of exchange, mortgages, and private notes of various kinds would replace the bank notes. Therefore it is preferable to vest the power in a wealthy corporation which can be closely watched and is less exposed to bankruptcy than individuals are. The banks have been only insignificantly responsible for the commercial embarrassments. In the last three or four years they either have been the passive agents of circumstances or have followed a prudent course. In so far as the banks encouraged private extravagances and speculation, they will profit from their costly experience, he felt. They have learned to estimate property by the only sure standard, the income it yields or can be made to yield. They will realize that their function is not so much to create capital as to give activity to existing capital. And by thus aiding government in emergencies and private enterprise on sound principles, they will aid the public welfare as well as their own profit.

But the underlying belief in the destiny of America as a replica of Britain—London and all—remained with Tucker. The essay "On Density of Population" was untouched. He added a long essay on the theory of Malthus to show that Malthus was right in so far as people have only themselves to blame for their poverty, but wrong in so far as his teachings might help to retard the growth of dense cities.

Malthus had taught the legislator that poor laws and general plans of charity only increase the evil they are supposed to end. However, Malthus's emphasis on famine as a check to redundancy is misplaced, for the inequality of wealth in civilized countries operates to relieve famines. The wastes of the rich, especially that going for the maintenance of dogs and horses, is at such times diverted to the poor. Cities are the most effective check to redundant population, for there disease takes off so many that the natural increase of large cities is insufficient to maintain the proper size of the population, and recruits must come from the country. The advantages of cities must obviously counterbalance the disadvantages; otherwise people would not voluntarily suffer the disadvantages.

In Congress Tucker was clear-cut and enthusiastic in support of what dominant Virginia opinion demanded. He doubtless felt he could act in this manner with a clear conscience since, unlike Cooper, he believed in the doctrine of "instructions" of representatives. For example, in the bitter session of 1824 Tucker went all the way in opposition to the tariff and federal aid for internal improvements.

But Tucker made one serious blunder that ended his political career. In 1824 he participated in a caucus of the members of Congress to select the party's choice for President. This had become the customary procedure of the Republicans and had worked in previous periods. But in 1824 the leading candidates, especially Jackson, bitterly attacked "king caucus" after only a small minority of the party had attended the caucus and chosen William Crawford of Georgia, a Virginian by birth, as the presidential candidate. Tucker tried to explain his action to his constituents. He found that the caucus was sound Republican procedure. Because of the unusual number of popular candidates, he said, it had appeared probable that no one would get the necessary majority of the entire electoral vote, and the election would be thrown into the House. In that case, according to the Constitution, the smallest state has the same vote as the largest, and a candidate must be selected from the three highest. The procedure would invite corruption and greed. It was repugnant to the great Republican principle that the majority should govern, and provided no certainty of choice. To avoid these threatened evils, the Republican members of Congress, as on former occasions, met in an unofficial way to recommend one of the candidates. They felt it was better to assume the responsibility of recommending one out of four or five where the people were as free as before to oppose or reject, than to exercise the power of choosing one out of three which choice was beyond the people's control.[37]

As Tucker's political career ended, the University of Virginia was finally getting ready to open. He found a berth which would hardly have been open to him had his authorship of the *Letters from Virginia* been known. He was made professor of moral philosophy, to which he added rhetoric, belles lettres, and political economy. Jefferson, along with Madison, was being careful, or at least he thought he was, that no Federalist in letter or spirit should occupy this professorship or the chair of law. But Tucker after all had voted "right" on the tariff and internal improvements as well as on slavery, and

his known volume of essays was or could be read as sound Republicanism as Jefferson and his leading political associate in the enterprise, Madison, understood the Republican faith at the time. They, too, had looked with favor on the caucus candidate as the only "right" candidate of the lot.

No sooner had Tucker begun teaching in 1825 than a Baltimore protectionist newspaper congratulated the university for adopting a protectionist textbook in economics, Daniel Raymond's treatise. This naturally aroused all the free-traders. From New York came a demand that the University of Virginia deny the false rumor "which if uncontradicted" would adversely affect "its reputation with the lovers of the true science." [38] That conservative free-trade organ, the *Richmond Enquirer,* doubted that such a text would be used there with Say, Ricardo, and Adam Smith available, and felt certain of it after a friend investigating the situation found that the only person who even knew of the treatise was Tucker.[39]

A few years later, in 1829, a similar controversy arose. With Tucker apparently the prime mover, a short-lived journal, the *Virginia Literary Museum,* was started at the university, consisting of contributions from the professors. In it appeared a series of essays pointing out certain advantages of a tariff to Virginia. The essays were signed "K," but they bore all the earmarks of Tucker's authorship. Raguet expressed great indignation in his *Free Trade Advocate* that the University of Virginia of all institutions should tolerate such heresies. Whereupon, in the columns of the *Richmond Enquirer,* "K," now signing himself "Aegis," asserted that Raguet had misinterpreted him, for he also belonged to the school of Adam Smith, but Smith as a pioneer naturally did not realize that there were many more exceptions to his great general doctrine of free trade than the two he mentioned.

The basic questions of economics, those bearing on the welfare of society, have already been settled by Adam Smith and his school, Tucker wrote in a review of Cooper's book in 1827 in the *American Quarterly Review,* edited by the ex-Federalist Walsh. The great truths they laid down, including that luxury supported by industry can never be dangerous and seldom injurious, are now accepted maxims. Discussions henceforth in economics will primarily be concerned with refinements, especially with such questions as the measure of value. In this there is now room for the use of diagrams, he said. The effect of consumption increasing with a fall in price and

diminishing with its rise may be illustrated by a cone standing on its base, in which the axis may represent the price and horizontal sections of it the varying circles of consumption. The exchangeable value of every commodity is determined by the number and wealth of those desiring it, the intensity of their desire, and the quantity offered for sale. These constituents of price are as uniform and immutable as the nature of man and operate in the same manner on the savage and civilized man, on the retailer and the great merchant.

In the manner of McVickar, Tucker accepted both the demand and supply, and the cost of production doctrines of value, with cost of production the ultimate regulator. After the appropriation of lands, which arises as soon as men begin to cultivate the earth, the owners will be willing to exchange with the landless the surplus above their consumption. The proportion of supply and demand will always regulate the rate of exchange. But at first neither will be great. There will not be the skill, unremitting labor, or want which in the advanced stage of society give such a spring to both supply and demand. Most men will be both cultivators and manufacturers as the occasion requires.

It supposes in a sparse population little division of labor and no rent. In the progress of population, the number of landless will increase, and an intensified competition will occur among them for the surplus food. More and better commodities will be manufactured to tempt the landowners to make a larger surplus, and to enable the others to obtain that surplus. Finally the laborer is brought to give a day's labor for a day's subsistence for himself and a small family. Furthermore, with the increase of population, cheaper foods will be used, so that rent will be increased.

In short, man in the first stages of civilized society is both an awkward and expensive machine; but, stimulated by his desires and by necessity which is the mother of invention, he gradually improves in cheapness as well as skill, so that the same proportion of land which once supported only a single individual may come in time to support twenty or thirty; and the landowners have the benefit of the difference—by sale or exchange if they cultivate it themselves, and in the form of rent if they lend the use of it to another.

This doctrine of a constant fall in the price of labor of course fitted neatly into his doctrine of slavery's disappearing of itself. So he took Cooper to task for using to the same end the "erroneous" doctrine of slave labor's being dearer than free labor. There were "other

and better arguments" than those of Cooper to prove that slavery will disappear of itself. Cooper may rest assured that whenever the day arrives, as it must, when the cost of rearing a slave will exceed the value of his labor, the slave owner "will be as eager to emancipate them as he is now opposed to it. This day will be when the wages of free labor are nearly reduced to a bare subsistence."

Cooper and other economists had gone wrong in their thinking on refinements, he asserted, because they held to Ricardo's doctrine that rent arises from the resort to inferior soils; whereas, in his own doctrine, there are no dangerous social implications. Rent arises not from the niggardliness of nature but from her inherent fertility, and the landlord obtains the value of that fertility or surplus as population increases and the price of labor falls.[40]

So strongly did Tucker feel about his opposition to Ricardo that he even carried his own essentially Ricardian doctrine into the last of his anonymous fictional tales, *A Voyage to the Moon*, published in 1827. The author was supposed to be a New Yorker who is taken to the moon in a contraption by a learned Brahmin he met in Burma. He discovers that the true principles of economics are fully understood on the moon.

At first the new settlers had divided the land equally. But, finding the scheme impractical, they soon abandoned it. Through differences of industry and frugality, a handful eventually owned half the entire land. Though the ablest writers on earth who follow Ricardo say no rent can exist where lands are of equal fertility, yet the state of affairs on the moon contradicts this doctrine. True, if there is inferior land, a difference in rent in proportion to differences in fertility will arise; and if it is so poor as not to pay the expenses of cultivation, it will pay no rent. But surely if a landowner can make as much as several consume, as happens here, he will be able to get much of their labor in exchange for the surplus and get increasing amounts until the greatest number the surplus can support is reached. What the landless give if the proprietor retains the land himself may be regarded as extraordinary profits, or as rent if paid to anyone to whom he transfers the benefit.

In this Utopia there are no almshouses or beggars; charity is dependent on the compassion of the individual dispenser and the merits of the sufferer. The inhabitants produce everything they need at home.

As the explorers return to earth the Brahmin takes a look at New

England. The New Englanders are enterprising and ingenious and adroit at a bargain, he said. Their shrewdness, with its tendency to petty fraud, is a characteristic of the habits of traffic. But the English, who "are the most commercial people of modern times," have not acquired the same character because they are distinguished for other things as well as traffic. They are not merely a commercial people, but are also warlike and literary. Thus the natural tendencies of commerce are counteracted so that the unmitigated pursuit of commerce makes for the growth of national wealth, strength, and power.

A sympathetic reviewer in the March 1828 issue of the *Western Monthly Review* probably summed up Tucker's influence accurately when he said: "The rich mine of learning and satire is too deeply buried to be sought out by the indolent readers of the present time."

## JACOB NUÑEZ CARDOZO: RICARDIAN CRITIC OF RICARDO

Both Tucker and Cooper owed much, especially in their technical formulation of the doctrine of rent, to a southerner who was not an academician but a self-taught newspaperman, Jacob Newton Cardozo (1786–1873) [41] of Charleston.

Cardozo was the only man in pre-Civil War America whose mind operated on that high level of abstraction that characterized the work of Ricardo and his school. Like Ricardo, he was of Sephardic (Spanish-Portuguese) Jewish stock. He apparently came of a merchant family. His father, David Nuñez Cardozo, born in New York, was the son of a London merchant, Aaron Cardozo. David and his brother, Isaac Nuñez,[42] migrated to South Carolina and joined the American forces in the Revolutionary War. David was taken prisoner in 1780 but was given a parole and, according to the custom of the day, was soon back in business.[43] He appears to have acquired a substantial estate that included property in Virginia and South Carolina. His family was large.[44]

Young Cardozo was born in the port town of Savannah, Georgia, where his father had settled just before the close of the Revolutionary War, but he grew up in the leading commercial city of the South, Charleston. After a slight formal education, he served a long apprenticeship in a mechanical trade and then became a lumber clerk.

Even while a youth he showed a deep interest in things literary. He was admitted to membership in those extraordinary debating societies in Charleston composed of South Carolina's leading figures;

and in 1811, at the age of twenty-five, his *An Oration on the Literary Character,* delivered before the Methulogic Society, was printed. Six years later he definitely made journalism his life work by becoming the editorial writer of the *Southern Patriot,* of which he also became publisher in 1823.

Since the subjects that Cardozo discussed as a journalist also concerned him as a theorist, an examination of his editorials and other popular writings reveals the basic structure of political economic organization that controlled and explained to a considerable degree his theoretical writings. These popular effusions were also important in their own right, for Cardozo was a leading southern journalist closely connected with the important southern political and economic movements of the day. His editorials were extensively quoted, in the North as well as in the South; and he wrote a number of important memorials for the citizens of Charleston on various questions, including the tariff and railroads.

He wanted the South in general and Charleston in particular built up culturally and commercially. He helped promote southern magazines for the "protection" and advancement of southern interests, literary and otherwise. He was one of the leaders in reviving the long-defunct chamber of commerce in 1823, to cope with "the complexity of the transactions of an extending commerce" and to concentrate efforts in restricting "class legislation," be it local taxes or federal tariffs.[45]

He might oppose, as who did not, government "interference"; but he still wanted the state to be a guardian in such matters as draining the swamps for the low-country planters or promoting railroads and the like.

His ideal was New York. Already she controls the cotton trade, he wrote. Her immense capital, providing constant enterprise and speculation, creates unceasing competition among purchasers. She is the center of payments and commercial dealings for the whole country. In time she will be like London and the great cities of the Continent, the center of the nation's men of great fortune, and rich in art and talent, thanks to the vast expenditures for elegant creations which reward genius.

Cardozo of course accepted slavery. He believed in "salutary" political reform at home and abroad—that is, only so far as required by the exigencies of commerce. He emphasized the danger of going too far rather than the need of change. In 1825, for example, he

warned Virginia against abolishing the freehold qualifications for the franchise because if the "democratic" principle of universal suffrage is introduced, the outcome will be a never-ending struggle for spoils.

Judging by his attacks on the "revolutionary fanaticism" in Europe in his oration, Cardozo had been originally a Federalist, and he always remained conservative. But commerce, he argued, is the great engine of advance both in economics and politics. Despotism and commercial restrictions are allied, but commerce has always been married to liberty. Commerce has proved a greater "leveller of distinctions than the wildest spirit of democracy that ever vexed the quiet and order of society." Under the impact of commerce, luxury today is purchased by industry, by the extension of the principle that men will improve in riches and knowledge as their emulation is excited and their talents given a larger sphere. So, where ancient luxury left no fruits after consumption, modern luxury is the source of power and riches.

Aside from free trade, the basic condition for the growth of commerce as well as free government is alienability of land. Alienability prevents a vicious, unequal distribution of wealth which stifles the incentive to accumulate wealth and prevents the expansion of profitable commerce. England's Tory landed aristocracy, by virtue of its political power, has maintained the vicious Corn Laws. The consequent rise in food prices prevents exports of manufactures and thus vast employment. British capitalists rightly say that free trade will profit them only if they have corn as cheap and taxes as low as other countries, otherwise without protection England and its colonies will be overrun by French, German, and American manufactures.[46]

On the other hand, the demand for higher tariffs in the United States, especially on woolens, is a demand for class legislation for the benefit of western cultivators who want the South to share their misfortune in having lost the British market because of the Corn Laws.

The proposed higher tariff on textiles, he wrote in 1824, will subject the planter to a triple burden: he will pay higher prices for all cotton and woolens; he will be restricted in the foreign market for his staple or be made to bear a retaliatory duty; and he will be burdened by a direct tax on his land to compensate the loss of revenue from import duties.

The duty on "coarse woolens," he noted in a famous memorial in 1827, is in reality a discriminatory tax on the capital of southern

cultivators. Most of their capital is invested in slaves who wear the coarse woolens. A tax on consumption in the case of free labor will be borne exclusively by the laborers if labor is low, and partially by labor if labor is high; but a tax on the consumption by slaves must be borne exclusively by the masters. By preventing the cultivator from obtaining the most profitable use of his whole capital, the rise in the woolen tariff would hinder southern improvement. It also damages the North. Without slave labor, the South would be barren, and the thousands in the North maintained by its productions would be unemployed.

Finally, there was the threat of a secession. Patriotism does not mean blind devotion to the soil on which our lot is cast, but an intelligent affection for institutions affording impartial protection to property as well as person, especially in the distribution of pecuniary burdens. If one class of citizens is depressed for the gain of another, disaffection to the federal government will grow.[47]

But Navigation Acts to build up naval strength, or retaliatory measures against British restrictions on American commerce with the British West Indies, Cardozo maintained were lawful restrictions on the freedom of commerce.[48]

On the question of banks, he stood with Cooper. He was against the "paper system," but this did not mean opposition to all banks of issue, but merely to government and inconvertible issues, state-controlled banks, and new banks. This opposition was accompanied by support of the Bank of the United States not only when it was attacked, but also when it attempted to secure more privileges and branches.

As the nation approached a financial panic in 1819, Cardozo wrote in April that the country labors under a paralysis from the overtrading of the banks and the consequent overtrading of individuals. The whole machinery of trade is suspended in times of peace. The first fatal impulse was given by the banks, but the "electric chain of commerce" embraces the highest with the humblest individual and touches all intermediate grades. The shock imparted at one end of the chain was felt at the remotest extreme, not only in the United States but throughout the civilized world, for modern nations in a commercial sense constitute a community in which embarrassment in one is followed by embarrassment in another. Yet, though the cause of the distress is clear, the people foolishly demand more paper money, and inconvertible paper at that.

From this standpoint, Cardozo enthusiastically praised that "able writer," Ricardo, for his thesis that the high price of bullion was due to the "excessive" issues of inconvertible Bank of England notes. But he disapproved of Ricardo's solution, an independent government body as the exclusive issuer of notes. He used the rather curious argument that such a scheme as Ricardo's could not provide a check to underissue.

As the cry increased from respectable circles for the abolition of all bank notes or the issue of a national bank currency, or both, Cardozo began to shift to the thesis that banks are not an originating cause of speculation or distress because their issues follow rather than lead the state of business—that is, the issues are the effect not the cause of high prices because if business is unprofitable businessmen will not borrow. But once an external demand stimulates issues, the paper becomes a cause by becoming a stimulus to speculation in the sense of encouraging extravagant spending. This, of course, applies primarily to western banks, with their unsound principle of lending on real estate, and the net result is stay laws of various sorts. But eastern state-owned banks, like the Bank of the State of South Carolina, set the example.

The remedy is simple. Let the eastern states set a good example by abolishing their state-controlled institutions. Of course, the state cannot revoke the charters of existing private banks until they expire. Even this is not necessary because the eastern states have in effect rectified their errors by permitting branches of the Bank of the United States, and these prevent excessive issues by local banks.

If banks are not the fundamental cause of depressions, what is? To this Cardozo gave answers that would preclude legislation. During the depression that commenced in 1819, Cardozo used the familiar argument that the depression both in England and the United States was the outcome of the twenty years of unnatural prosperity that arose from the wars of the French Revolution and ended with the return of the devastated European nations to industry. But he added novel twists in explaining these destructions of the "balance between the demand and supply of produce."

In wartime, he said, the great abnormal foreign demand for English commerce and manufactures stimulated English agriculture also because the high profits of the commercial and manufacturing classes enabled them to pay higher prices for agricultural goods. But with peace and a declining foreign demand, the commercial and manu-

facturing classes have become less able to buy agricultural goods, and this in turn has reacted on the manufacturers. The production of all has become excessive because the consumption is diminished. The United States suffers similarly because it has lost its wartime monopoly of the European market for breadstuffs.

But perpetuating the unbalance is a temporary excessive population. The balance means a balance not only between production and consumption, but also between them and population. The foreign demand naturally stimulated a sudden increase in population which the cessation of demand left idle. Any disturbance in demand and supply of commodities can be restored relatively quickly, but equalizing the demand and supply of labor—that is, reducing the supply of labor to the demand—requires considerable time.

It might seem that the co-existence of unemployed capital and cheap fertile lands in the United States is anomalous, but the capitalist has no incentive to employ the labor in cultivating the land in the face of a decreased foreign demand and consequently no prospect of profits. Nor are the mass of laborers in any country in a financial position to become self-subsistent proprietors.

Cardozo correlated the doctrine of sudden excessive population as the cause of stagnation with the doctrine that a nation's increase of productive power, an increase in its riches and means of enjoyment, may be excessive in the sense of again being too sudden. Prosperity generates the habit of luxury and extravagance among the mass and thus leads eventually to cessation of production.

This is facilitated by the great increase of bank paper. Thus, while the balance between savings and expenditure and that between production and consumption will never be disturbed if left to the influence of the usual stimulants of self-interest, they run into alternate extremes when the temporary artificial and unduly high profits beget a spirit of gambling throughout all industry.

When Cardozo had to cope with the depression of 1826 in both England and the United States, he altered his explanation somewhat. One great source of the calamity in the United States, he said, is "overproduction" of cotton. So he suggested diversification. The lead must be taken by the few bold, persevering innovators. Their example would overcome the timidity of the great mass of habit-bound cultivators. The contraction or even the loss of a particular foreign market would not cause a general stagnation. Such diversifica-

tion, including home manufactures, would free the state from complete dependence on Manchester's cotton mills.

England's future, however, is gloomy because of her excessive development in machinery along with excessive population. The power of human invention may be developed too rapidly for a nation's welfare, just as a nation may too rapidly increase in wealth. England's manufacturing power, composed of her population and machinery, has been built up by a corresponding foreign demand; but England is losing her markets as the continental countries and the United States, following her lead in steam, are becoming rivals. Both her population and her power of production must be reduced in the degree which they have increased beyond the demand for their multiplied product. But no feasible plan is in sight. Consequently England's present generation of laborers must necessarily suffer privation.

Cardozo felt that Englishmen such as Robert Owen, who were seeking definite legislation for the amelioration of the poor, began at the wrong end. Instead of additional laws to relieve the poor, the existing relief legislation should be abolished. These men are ignorant of the simple harmony of the social machine whose movement they constantly counteract by impertinent legislation. Owen's proposal of government or privately subsidized settlements in which each laborer divides his time equally in agriculture, manufacturing, and mental and moral improvement, proves he is one of those "system mongers" who has misconceived the nature of the social principle and the beneficent results of the division of labor in modern machinery. Does he not know that the spinning jenny, by widening the market for manufactures, has improved the lot of labor? [49]

The great political leaders of "qualified reform," such as Lord Brougham, have shown the true way of amelioration, by promoting apprentice libraries, and mechanics institutes, delivering lectures to them, and supplying them with suitable tracts. These men belong in the category of the gifted spirits of the age, those leading minds which give what impress they please to the events and passions of society. Heretofore they have found their stimulants in warfare; but, commerce having deprived them of this source of glory and applause, they are now turning their enterprise to studying the source of national power and happiness. In devising legal reforms to conform with the requirements of commerce and finance, they appeal to

the understanding of the people to co-operate. Thus at these institutions the poor will learn the great truths of political economy and consequently be "brought to submit to temporary deprivations of employment, as the law of our social condition." [50]

Cardozo's newspaper articles and memorials revealed the current views of his time, place, and class, especially as regards the "inferior orders"; but they revealed a mind that operated on a higher level of rationalization than his contemporaries. On a still higher level were his treatises and contributions to erudite journals, in which he undertook to combat formally Ricardo's work, especially the theory of rent.

In his newspaper Cardozo recognized at all times that he was in substantial agreement with the school of Ricardo, but differed in matters of refinement. Great was his wrath against any protectionist who questioned the authority of Adam Smith, Malthus, Say, and others. When McVickar's book appeared in 1825, Cardozo praised it enthusiastically. He hoped it would be popular and reprinted some of McVickar's hortatory additions to the McCulloch text.[51]

Cardozo immediately afterward used McVickar's treatise as the occasion for writing his own treatise, *Notes on Political Economy*. As was customary, with a writer wishing to bring out the full importance of his own refinement, he warned his readers in the introduction: If the McVickar book and the like espousing Ricardo's theory become standard, not only will the progress of economic science be retarded, but statesmen will be following unsafe guides. The "spirit of system," the spirit of viewing phenomena from a limited point of observation, has led to endless futile disputes in economics, he declared in the book. The love of novelty has made Ricardo's system fashionable, but like its predecessors, it will soon perish. Ricardo's theory is based on circumstances which hardly exist here. This does not mean that different countries should have different economic theories, but that Ricardo's system, like its predecessors, is based on social institutions peculiar to England which have perverted the natural order. The thinker could not escape this influence, for the mind is naturally prone to argue from the fact to the right and Ricardo was merely the unconscious spokesman for manufacturing and commercial interests. But true theory is founded on a comprehensive examination of phenomena in "a natural state of the social system."

The laws regulating profits, wages, and rents can be most success-

fully investigated in the United States because that country's institutions have deranged the natural order less; whereas in Europe military violence or selfish policy have given rise to a vicious social organization. This accounts for rents looming large as a great surplus income in the speculation of European economists.

Like Tucker (who incidentally borrowed from Cardozo), Cardozo attacked Ricardo for teaching that rent is due to the niggardliness of nature; that, as inferior land is brought into cultivation with the increase of population, the landlord is doubly blessed at the expense of the community because he obtains a great share, and the commodity in which he is paid is of greater value.

In fact, if Ricardo were right, it would follow that payment of rent deprives the cultivators of their exclusive property, for the increased cultivation is the result of their skill and capital alone. Ricardo, said Cardozo, defines rent as that part of the produce paid to the landlord for the use of "the original and indestructible powers" of the soil—that is, natural fertility. But this kind of rent can neither be due to the recourse to inferior soils, nor can it be increased. At any given time inferior soils will exist, but relative fertility can account only for inequality of rent, not for its origin or increase. Any increase in the productive power of the land is acquired fertility and arises from the skill, capital, and ingenuity of the cultivators. Since the increased productivity should decrease the price of raw produce, any increase in prices must arise from some monopolistic feature in the social system.

This kind of "monopoly" should not be confused with "natural monopoly," such as the scarcity arising from the natural limitation of certain products in certain districts. Such an "illegitimate" monopoly arises from social arrangements constituting class legislation. These include commercial restrictions, especially protective tariffs, heavy taxation, paper money, and finally such institutions as entail and primogeniture which create a vicious and unequal division of the land. For instance, where legal arrangements clog alienation or transfer by purchase, rent and raw produce prices will rise—that is, if land cannot be brought freely into the market for sale or mortgage, it will not sell or rent at a competitive price which is in proportion to its natural fertility. These social arrangements prevent competition from fully exercising its beneficent influence and bring about what should be called "monopoly rent"—or rent, properly speaking.

In the "natural state," as population increases and less fertile lands

are cultivated, the "natural rent" paid on the inferior lands will be less by the difference in their productive power. But if improvements in agriculture do not result in as large a return with an equal amount of capital on the new lands as on the old, no additional food can be raised, and population increase will cease. Therefore inferior lands are placed in tillage exactly in proportion as these improvements extend. Thus, contrary to Ricardo, agriculture, like manufactures, is subject to a continual increased facility of production and a reduction in the price of the product. This is easily seen in manufactures because there the results of skill and science are visible in machinery; in agriculture the technological advances become a part of the soil and are so blended with it that they are not distinguishable. Ricardo overlooked this continual expansion of improvement in agriculture because he refused to give capital a concurrent status with labor, but reduced capital to labor in the formation of value and wealth. Capital consists of natural agents and substances—or, more precisely, natural substances—which, as soon as they are appropriated and a demand exists for them, receive value and increase in value with every modification from the combined action of labor and natural agents upon them.

So conceived, all rent, contrary to Sismondi's teachings, is not pernicious monopoly. Natural rent is invariable in amount and is governed by the laws regulating interest or loan of capital employed productively—that is, profitably—by the borrower. This rent is a component of price along with profits and wages and not a transfer from wages and profits, as Ricardo argues. No land providing a return above the expenses of cultivators will be allowed by its proprietor to be cultivated by anyone else unless he is paid for it. The surplus is his property, and its payment, or an equivalent in value, must be as much one of the conditions of the supply of raw produce as other expenses of cultivation. Whatever value the proprietor sets on the natural powers or what they have cost him must determine, on the principle of an ordinary loan, the amount of value to be paid for their use. The price of food raised on such land, the price of the land, and the rent will all be at fair competitive rates, which may be called the "natural price and rent of land." In other words, the rent is but another name for the interest on the capital invested in the purchase.

The proprietor of land in a new and fertile country such as the United States derives, in addition to the profit on the capital employed in cultivation, a return in proportion to his investment in purchasing the land. This may be called rent or not as suits the taste, yet the sum

received as rent for the same quality of land will be much less here than in Europe, where the social arrangements disturbing the natural order yield a monopoly rent.

With science and skill steadily overcoming the difficulty of production on "inferior" land, the price of necessaries fall, population increases, then money wages fall, and the reduction of money wages provides an additional fund to employ the additional laborers. With the cultivator commanding more labor through a decline in money wages, further production will be stimulated. Raw produce again increases in amount, prices fall, and labor multiplies. Thus the same series of effects is always occurring and will never be interrupted except by the folly and selfishness of rulers in the form of tariffs, poor laws, etc. In the natural state of things, capital and population increase equally, and wages and profits do not encroach on each other. On the contrary, since the price of necessaries always falls first in the natural state, the share of the laborer would increase while the capitalist would get a larger quantity.

At the same time, the increase of machinery, contrary to "popular prejudice," increases the employment of labor. Machinery is not improved to save labor in the sense of quantity, but to save the price of wages of labor in order to create a fund for further employment of new labor in the natural growth of population and industry.

Say's suggestion of resorting to public works to relieve temporary dislocation by machinery is erroneous because, whenever any portion of the labor of society is employed in public works, it can only be done by subtracting from private employment; otherwise some derangement must have occurred that overstocked the market with labor.

Meddling by authority can only bring evil. Improvements in machinery are so gradual in the natural progress of society that the transition is smooth for the laborers. Even in the invention of printing, the most striking instance of a total change in the nature of an employment, who can declare that the copyists were not prepared for the change and did not find the transition easy and natural, not sudden and abrupt?

There may be general gluts because of war situations which stimulate unduly the productive powers, and on the return of peace the balance of production and consumption require restoring. But wars, by giving monopolies to countries not overrun, call into existence land which would otherwise not be utilized. Thus "monopoly rent" arises.

But once the stimuli cease, "rent" disappears, and the land should "naturally" go out of cultivation.

Contrary to Malthus's doctrine that accumulation of capital causes the rate of profit to fall, said Cardozo, the old channels of commerce are constantly enlarged and others created with every increase of capital, of the inventive powers of producers; and various resources of states are properly developed under free commercial intercourse.

The controversy between Malthus and Ricardo over the proper limits of individual expenditure and accumulation was futile. Individual self-interest fixes the limit here as in every other case where society's arrangements do not disturb its regular action. Among the most notable of these "derangements" is the "paper system." It may give a too great stimulus to the wish or "propensity to spend" in individuals and, by "generating habits of extravagance which sometimes endure for a considerable period, destroy the natural balance between production in the gross and expenditure."

Cardozo's theory of rent served practically to achieve in good part the very object of Ricardo and English free-traders in general. The theory was not so much a justification of "rent" as it was in part an attack on the English landed class supporting Corn Laws to maintain the "monopoly rent" that arose from the "abnormal" war situation. On the other hand, it was also an attack on those western "agrarians" supporting tariffs on the ground that these would benefit the western farmers or at least serve as a retaliatory measure, for they again were attempting to maintain "monopoly rent." Finally, it left intact the "rent" of the South as mere return on "investment."

At the same time Cardozo was left free to defend the Bank of the United States on the ground that it prevented the danger of the "paper system." Its convertible issues in turn merely reflected the demands of the natural progress of cultivation and commerce.

In reviewing Cooper's book just after the appearance of his own, Cardozo made it amply clear that he was in thorough agreement with the southern Ricardians in practice. Cooper in his treatise, he declared, showed that he was a great practical public teacher. He presented the "leading truths in a plain, popular manner." So Cardozo expressed the hope that all legislators present and prospective would possess the book. His disagreements with Cooper's deductions, he said, referred not to the "*practical* conclusions," but the "*METAPHYSICS* of the science." [52]

But northerners, misled by Cardozo's rhetoric and atrocious literary style, took seriously his claim that he was criticizing the practical truths of Ricardo and proceeded to attack Cardozo with "Ricardo's" arguments that were technically those of Cardozo rather than those of Ricardo.

Thus in 1827 the New England lawyer, Jonathan Porter, in that leading journal and free-trade organ of the day, the *North American Review*, denounced Cardozo for casting aspersions on Ricardo and the yeomanry. Ricardo shows that, since rent affects neither wages nor profits and does not enter into price, giving the rents to the tenants would not reduce prices. This act of misplaced generosity would neither increase the supply nor diminish the demand, but would merely introduce inequality among all capitalists and employments and thus cause confusion and disorder.

The principle of differential rent is an equalizing principle, for it places all capitalists and tenants on the same level and enables them to enter into fair competition with one another. By Ricardo's theory, "in the natural course of things" the landlord class as the class most uniformly interested in the welfare of the country must advance without any peculiar efforts of its own. The landlord has an indissoluble interest in the country's welfare, but merchants and capitalists can transfer themselves and their property to other countries if profits are higher there.

High rents prove that a country is growing wealthy. In a commercial city, the great population, accumulation of capital, and press of business cause high rents. When business declines, rents fall. True, the exact mathematical form in which Ricardo expresses his ideas might lead to the erroneous conclusions that Cardozo deduces—namely, that the growth of capital and population will be stopped through the increase of rent at the expense of wages and profits. But mathematics is as deceptive in moral reasoning as probabilities in mathematics. "The shades of difference between different kinds of land, are faint, almost imperceptible, and not to be marked by numbers. Fluxional quantities [calculus] might more justly illustrate them than the arithmetical progression which Ricardo uses:" The rise in rents of cultivated land is very slow and many circumstances retard or change it. For instance, improvements in the arts tend to prevent the rise of rents. So do new lands which, after being cleared, are just as fertile as the older lands or which are advanced in value with the

rise of a near-by factory. Thus there is little danger that the increase of rent, advancing according to the principles of Ricardo's theory, rightly understood, will ever become excessive. Since the landlord takes some risk with his capital, if he is successful "we surely ought not to ask him about his rights and his title to his good fortune."

But fine-spun discussions of rent and the like, Porter felt, were not very significant. Cardozo, instead of spending most of his time on inquiries "more apart from common observation and therefore less interesting, and probably less important," should devote himself to the pernicious, thoroughly refuted doctrines that improvements in machinery cause unemployment and condemn honest industry "to suffer for the benefit of the rich capitalists."

The following year Cardozo, in the *Southern Review* which he and the leading South Carolina intellectuals launched to "protect" southern interests, attempted a comprehensive "attack" on the "new school" of Ricardo. He definitely argued, in an unsigned article on rent, that no distinction can really be made between artificial and natural fertility and that, where land is freely alienable, what is called rent will be merely a return on capital. There is no way of proving that man must go from the best to the worst of the many grades of the soil to obtain increased supplies from the rest. Nature has made us a present of agents of unequal powers as well as soils of unequal qualities. Steam is more powerful in propelling machinery than wind or water, and were these agents capable of appropriation their value would be determined by what they could produce, as with land. The soil has no intrinsic worth, but obtains its value from the returns obtained by the influence of labor and the agency of nature—of capital—united. In accordance with the great law of competition or the law of supply and demand, the demand of the manufacturing and commercial classes for the produce measures the value of the general returns obtained in agriculture, just as the proportion of capital to population governs the rate of wages and profits respectively.

Where land is valued as a source of profit exclusively, where, in other words, strictly commercial principles operate, rent is the interest on a capital invested in its purchase or improvement. It has its source in the same principle that governs the proprietor of an object of value in any other form, when for an adequate consideration he consents to forego the profit in favor of another who employs that value productively. Thus land, when acquired by purchase with the

same facility and on the same principles as capital, in general will obey the laws of capital. Rent must be regulated by the general rate of interest, for the tenant will never pay the landlord more when by borrowing money at the rate he can become a proprietor himself and obtain the usual rate of profit.

But if monopoly of land is established and certain incidents of ownership occur, as in most countries, if the soil is purchased as an instrument of political influence or a source of dignity and power, then there arises "true rent," previously called monopoly rent, which obeys Ricardo's laws. The payment of this rent is not a necessary condition of the supply of raw produce in any state of society, and its existence does not exemplify a natural progress.

Even if Ricardo were correct in assuming a recourse to inferior soils with the growth of population, his conclusion that profits will be transferred to wages to meet the increased price of food will not follow unless the working class can "submit to no further reduction in the quantity or quality of their food and no increase of physical exertion." The capitalist has every interest in the excess of population, for this forces the laborer to his utmost energies from the pressure of want and reduces his money wages to the lowest level. The landlord has an equal interest in the depression of his corn wages. "The toil and privations of the working class may not always measure the amount of profits and the value of rent," for wages may advance proportionally with both; but in the ordinary state of things, the sacrifice of the laborers will very nearly determine the gains of the landlord and capitalist.

The whole trouble is again that the science of economics is hardly developed. Sufficient facts are not available, and only recently have necessary statistical inquiries been started. Energies have been wasted in the refinement of terms and metaphysical distinctions, with one system succeeding another. Among the more serious factors accounting for its slow growth is the fact that the different branches have not been investigated in a connected, but in a detached, disjointed, manner. It lacked in its origin that concatenation and dependence of parts which promotes investigation. This desultory manner arose from the circumstance that in the field of political economy, as in political science generally, men must be made to feel before they can be brought to investigate. Only after countries, classes, and individuals have been greatly oppressed by some external or internal

cause, such as paper money, corn laws, and poor laws, are attempts made to establish general rules of conduct founded on the immutable distinctions of right and wrong, truth and error.

But the greatest cause of slow growth is that European economists in attempting to construct systems of general application to all countries have in reality proceeded on the assumption that their surroundings are natural and universal. We know that the riches of countries grow from widely different circumstances. For example, experience reveals that slavery in the South has resulted not only in a high degree of wealth but also in a greater share of enjoyment for the slave than in many sections where the relation between the employer and employee is based on wages. How does this state of things agree with the explanation of economists that the relation between master and slave retards the increase of riches, that the payment of wages is an essential ingredient in a modern system of wealth?[53]

## CHAPTER XXII

# Followers of the American System

### THE LEVIATHAN OF DANIEL RAYMOND

WITH the agitation in 1819 for tariffs as a permanent American System and not an incidental temporary aid to infant industries, came the publication of the first comprehensive systematic treatise in the United States. This was *Thoughts on Political Economy*, published in 1820 by Daniel Raymond (1786–1849).[1]

Raymond's background was conservative New England. He was born and reared in Connecticut. He studied law at Tapping Reeve's famous violently anti-Jeffersonian law school in Litchfield, Connecticut. He spent his mature years in Hezekiah Niles' Baltimore, where he began practicing law during the War of 1812.

Raymond first acquired public prominence in 1819 with a pamphlet supporting congressional prohibition of slavery in Missouri. This position had considerable support in Maryland even in some enlightened conservative circles, though not, it soon developed, in the con-

gressional delegation. His pamphlet, *The Missouri Question*, was extremely influential in the controversy because it supplied the significant economic and statistical arguments of population growth which the advocates of congressional prohibition used to point out the threat of slavery to white supremacy. Raymond was hysterically denounced on the floor of Congress by the southern opposition as being in the pay of abolitionist organizations.

But prohibition of the extension of slavery was only one aspect of Raymond's outlook. The general tendency of his treatise on economics was indicated by its dedication to Robert Goodloe Harper and by his worship of Hamilton as the only sound political economist.

Its objectives were not unlike those of *Niles' Weekly Register* with its call for tariffs, internal improvement, and the like; but it was on a much higher level. It contained elaborate developments of such significant concepts as productive "capacity." Raymond made much of the arguments that individual wealth is not national wealth and that the state is an organism, not an aggregate. But these notions were similar to Hamilton's in respect to "protectionism" and the use of the power of the state: The state is a corporation with interests transcending those of the individuals who compose it, in the sense that energetic individuals cannot fully develop the pecuniary capacities of the nation without the aid of the state power.

"The body politic is an animal of immense bulk and . . . is for the most part inactive and slothful" in proportion to its bulk, Raymond wrote. "A state of comparative lethargy and torpor is very nearly its natural state and it is necessary to apply constant stimulants to keep up circulation." Thus economists should concern themselves directly not with the material welfare of the mass nor with individual possessions as the embodiment of individual wealth, but with the means of augmenting "national wealth."

National wealth is the capacity for acquiring the necessaries and comforts of life by "labor." But this capacity is dependent on such factors as the density of population, the industrious habits of the people, and "the advantageous situation for commerce," tariffs, exclusive privileges, navigation acts, and colonies as well as development in technology, canals, roads, etc. In other words, the advantages one nation has over other nations by laws and "nature" give that nation a greater capacity for acquiring the necessaries and comforts of life, and therefore it will possess greater national wealth than other nations.

Stated in the language of "labor," national wealth is increased by "effective" or "permanent" labor—that is, labor devoted to clearing land, making roads, canals, and other permanent improvements; to acquiring skills, arts and knowledge; in short, labor devoted to increasing the nation's "capacity." But national prosperity depends on consumption's taking off the product of productive labor—that is, labor devoted to goods for consumption in a rather broad sense.

The great error of Smith and his followers is the doctrine that nations get rich by accumulating a surplus of produce above consumption. But this is true of neither individuals nor nations. The individual gets rich by exchanging his surplus with those who have less than they want for consumption, for property which can be preserved, such as land or moneys. If a nation produces more than is taken off its hands—that is, if the supply of the necessaries and comforts of life exceed the demand—it will have greater distress than when the demand exceeds the supply.

As soon as the profitable demand for the individual's product slackens, a surplus begins to accumulate on his hands. The producer is forced to dismiss some of his workmen, but this merely shifts the evil to the laborers. When such a surplus of production occurs, the legislature if possible must provide for its immediate consumption. Better that the surplus be converted into manure or thrown into the ocean than that it remain on hand.

Among the most effective means for alleviating "accumulation" and increasing national wealth are public monopolies such as colonies, favorable trade treaties, and tariffs. These monopolies, being equally open to all, do not infringe the equal rights of the citizens. But by providing incentives to individuals who are naturally shortsighted, they increase the national industry and skill in the arts and sciences and thereby give the nation an advantage over other countries. Thus England, with her great system of public monopolies, increased the demand for her capacity and labor and augmented her capacity to acquire comforts and necessaries.

True, a tariff might raise prices, but this is of no concern to the nation as a whole, and the high prices and favorable profits stimulate businessmen and increase the demand for labor far beyond the difference in price.

Raymond could also work the argument the other way. The restriction of foreign manufactures by producing an additional market for domestic manufactures increases the productive capacity and

eventually lowers prices. Even if the people are fully employed, this is no objection to a tariff, for a good many could work harder than they do, and thus the tariff, by stimulating the otherwise idle labor, increases the nation's capacity. There is no year in which the tariff might not be raised with advantage on some article. It ought never to be reduced. It should be highest on those goods employing the greatest number of people or the greatest portion of the country's industry.

Colonies cannot justly complain about their status so long as the mother country's increase in employment and higher profits are greater than the disadvantage to the colony, for both units together constitute an organic whole. The colonies might make less profit, but they will work harder and produce more.

Similarly, the southern planters are selfish and sectional-minded. They demand free trade because they have constant employment for their labor in supplying the foreign market, but they sacrifice the interests of the northern manufacturers, and thus the national interest.

On the other hand, a public debt, like a tariff, is a blessing, a stimulant to labor. Thus Hamilton's funding measure promoted the circulation of money and further stimulated industry and enterprise by increasing the fortunes of the most influential and enterprising. These infused their spirit in all their dependents throughout industry and thus increased the demand for labor. An expunging of the public debt would create less work, because those violently deprived of their property would lower their consumption to a greater degree than the gainers in the redistribution would increase their consumption.

True, a public debt gives rise to incorporeal, fictitious property, and the real owners become in effect debtors of the holders of the public debt; but this is no different from the case of the landless paying a share of their labor to the landowners. The public debt does give rise to a vast number of paupers in England, but this would be easily remedied if the shares were sufficiently small so that the poor could purchase them with their small earnings.

There are also some incidental evils which attend private corporations. The exclusive privileges of limited liability and the like granted by charter, violate the natural equality of rights and give their members greater power. This does not mean that corporations should not be created; rather, they should be created with caution, for equality of property is just as prejudicial as excessive inequality. There must be some high prizes in the lottery in order to encourage

people to venture their fortunes. Certainly when a corporation has a public object in view, like a canal company or a foreign trading company, giving it monopoly rights and privileges would not really be creating a private monopoly though the gainers are individuals. However, corporations should be surrounded with such restrictions as would keep their stock at par.

Among the corporations Raymond singled out for lengthy consideration were banks. These, like public debts, give individuals the means of increasing industry and encouraging labor. Banks promote enterprise in the same way steamboats promote traveling—by affording facilities for engaging in business. The object of banks is not and should not be to increase the quantity of money, but to promote the circulation of money, for this testifies to prosperous business.

Now banks by their excess issues cause the country to lose its valuable specie and place a nation in the position of a farmer who sells his instruments of production in the autumn to purchase food and clothing for his family in the winter. Thus the evils of banks flow from their being manufacturers of a paper currency. Ideally the government should furnish the nation with a paper currency which would be the actual representative of a metallic one; and, if this and similar other proposals are thought impracticable, then the banks might be restrained by permitting them to lend as much as they please but with any interest in excess of 6 or 7 per cent going to the government.

Similarly, expenditures for public works, whether for fortifications, ships, roads, canals, or any other permanent improvement, would be gainful to the nation even if they should be useless or destroyed when completed.

Every nation has a large number who are idle either part or all of the time—or, more accurately, every nation "possesses a quantity of unexerted or unexpended labor or power." The particular individuals employed on the public works would no doubt be withdrawn from other branches of industry; but others would take their places, or those remaining would work harder. Any pecuniary loss to the state is counterbalanced by the greater habits of industry acquired, and this in turn augments the laborers' capacity for acquiring the necessaries and comforts of life, which means an increase in profitable population.

Suppose the state of Maryland constructed a canal from the Susquehanna to Baltimore, as Mills was suggesting at the time. Instead

of decreasing money or profitable production of necessaries and comforts, this would increase the quantity of both, and thus really cost nothing. By infusing the body politic with a degree of energy and industry, the expenditure will more than supply all the labor required to build the canal; and consequently other branches of industry would be stimulated. Similarly, wars are among those exciting stimulants that arouse a nation's dormant capacities. War affords a stimulus to industry by increasing the demand for labor. The consumption of the products of labor by an army prevents accumulation and often causes a still greater increase of population. This explains why England increases in wealth during a war. Since she has naval superiority, war gives her the commerce of the world, and her industry is animated not only by the excitement and energy war infuses, but also by the additional market for her manufactures. Thus she has an increase of profitable production greater than the expenditures, and she grows rich.

The question of slavery was likewise handled from the standpoint of increasing the quantity of labor. The objective of ending slavery, Raymond said, is to increase the disparity of numbers between blacks and whites for both political and economic reasons. The increase of slaves is at the expense of a greater increase of the whites. When slavery exists, labor must be shunned by the whites because of its connections with slavery. The whites must avoid even menial offices in the South lest they be viewed an inferior order of beings not far removed from the slaves. At the same time, in the absence of slavery the total population would be greater because the whites, being more industrious, would provide greater means of subsistence for a larger number.

There need be no fear of the increase of free blacks so long as the vicious poor laws are not allowed. Free blacks increase much more slowly than slaves or whites because they have no master to oversee them. They are the lazy, improvident, and worthless part of society and will thus die out if left to themselves.

However, Raymond was not for immediate "forcible" emancipation. He only urged that states, instead of increasing their restrictions on voluntary manumission, remove them and be as liberal as Maryland in this respect. Of course, public relief is not desirable for whites either. The man who is at liberty to work and provide for himself, but from laziness will not, must take the consequences of his folly and become extinct.

Raymond's practical method of relief was suggested in his discussion of England's problem. In England, because of the existence of entail and primogeniture and hoarding by the rich, pauperism is enormous, he said. But if the rich are unwilling to consume the product of labor to prevent unemployment and starvation, they can accomplish the same objective by dividing the paupers among themselves in proportion to their estates. The paupers will then render as much service for their support as did the feudal vassals to their lords.

Raymond concluded in his treatise that America offers the best stage for acquiring the true principles of political economy because experiments may be made safely in the United States. The operation of the pure principles of nature can be witnessed, and the spirit of liberty and equality, yet to be diffused throughout the world, kept alive.

As the presidential campaign of 1828 unfolded, Raymond in an anonymous pamphlet, *The American System*, defended Clay's program. To the objection that the protective tariff was unconstitutional and a violation of states' rights, Raymond answered that the federal government is not the outcome of a compact but a supreme sovereign; therefore to promote the general welfare it can do anything not specifically forbidden by the Constitution. The founding fathers were wise men, but they could hardly be expected to have foreseen all the contingencies that would arise as the nation grew.

The Supreme Court can declare state acts unconstitutional, for in so doing it upholds the sovereignty of the federal government, but it cannot void any "deliberate" act of Congress, whether sound or not, for this would end all legislation and government. Presumably tariff and internal improvements measures would be deliberate in Raymond's eyes. Acts of Congress that might go beyond what Raymond would consider as the legitimate use of national power were taken care of by the qualification: "If from inadventure or accident Congress should pass a law repugnant to the prohibitions in the Constitution, we have no doubt that the Supreme Court would declare the law unconstitutional."

Raymond's treatise won him almost as much notoriety as his pamphlet on the Missouri question. The free-traders naturally attacked the book. The sharpest criticism came from the South. Cardozo declared that Raymond's book was evidence of that unfortunate trait of youth, asserting "their independence of thinking" and defying "the authority of men not only highly gifted for scientific inquiry but the

result of whose patient and profound meditations are embodied in works on which time has set the seal of immortality," as those of Smith, Malthus, and Say.[2] Governor Thomas Giles of Virginia devoted a series of articles in the *Richmond Enquirer* to attacking Raymond's treatise as the textbook of the "new political school" and further denounced Raymond's book on the floor of the state constitutional convention of 1829–1830.

But Mathew Carey, on the lookout for a good "theorist" for the protectionist side, was so delighted with Raymond that in 1822 he offered to contribute $500 annually for a professorship of political economy for Raymond at the University of Maryland. He made it clear that he wanted only Raymond; otherwise there was danger that he would be supporting a person who would "preach unsound doctrine."

As was customary in that day, there appears to have been no opposition to a donor's nominating the professor, but the university was unwilling to add to Carey's contribution. Raymond said he might be willing to consider the post if he received a "reasonable price," but since the preparation of suitable lectures for popular distribution later would entail giving up his law practice, the sum was insufficient. Besides, he felt that with the great leader of the Maryland bar, the conservative Harper, now in retirement, he had his opportunity to establish his reputation as a lawyer.[3]

In his legal practice Raymond found his "national" point of view extremely useful. In 1821, acting as attorney before the Maryland Court of Appeals for the officials of the Baltimore branch of the Bank of the United States who had embezzled its funds, he denied that the state courts could have jurisdiction over a "foreign" corporation even though it operates within the state. The state cannot, so neither can its courts. If this prosecution is sustained, he argued, it enables the courts directly to call on the officers of the bank to exhibit in court a statement of its affairs, and in fact gives the court a supervisory power not possessed by the legislature. The indictment states that the conspiracy was affected by false accounts and entries in the books of the bank. To ascertain the truth of the charge, the bank's books must be produced and all its affairs exposed to the public, "which may be prejudicial to the bank." [4]

There was, however, one factor that in any event would prevent Raymond's work from having wide acceptance among protectionists. The western protectionists never forgot his views on the Missouri

question. This attitude took a fantastic turn when Representative Samuel Woodson of Kentucky in the debates over the tariff in Congress in 1823 denounced Raymond along with Adam Smith, Ricardo, Tracy, and Say and asked: "Are we dependent on foreigners, even for just sentiments on political economy?" No! answered Woodson. "We contend not for a new principle but for an extension of that system most ably vindicated in Hamilton's *Report* which has received the sanction of every other distinguished patriot."

### DAVID STIRRAT'S ROMANCE OF PUBLIC WORKS' EXPENDITURES

A fellow Baltimorean, the Scottish grocer David Stirrat (1776–1856), who boasted of a lordly lineage, prepared a simplified version of Raymond's general position. He published it in 1824 under the title *A Treatise on Political Economy; or the True Principles of Political Economy, In the Form of a Romaunt, for the more pleasing accommodation of readers; explained in a series of letters to Aristippus from Aristander; perceived in a deep vision. The subject is presumed to be considered upon strict Philosophical, Mathematical, and Geometrical principles.*

Stirrat was especially interested in the expansion of "public works" as the means of preventing a fall in prices and wages and thus a depression. This he tied up with familiar schemes of issuing sufficient currency to enterprise and expanding the public debt as a monetary medium.

It might be said that the country would be ruined by a constant increase in interest and debt, he wrote. But a national income tax, easy to pay because of prosperity, would regularly pay all moneys borrowed in a reasonable time. Even should the public works turn out financial losses, this would be overbalanced by the real industry put in motion. It would prevent gluts that stagnate and paralyze the well-being, prosperity, and wealth of the nation.

Thus Stirrat "proved" that the maintenance of a standing army commensurate with the population was a sure means of enriching the country; also that the leveling of mountains and raising them up again was equally productive. Even the supporting of an expensive royal family, pensioners, and nobles contributed largely to the enriching of individuals and the nation in general, but of course these things should not be preferred to objects of useful labor.

He proposed as the ideal public works a great "tower," to include

facilities for the aged and infirm, amusements and telegraph offices. Most of the uses would bring a profit.

Stirrat faced the alternative conclusion: the desirability of eliminating at all costs the "surplus"—namely, giving it away. Well, he said, no man wants to become a beggar. What is more, men would have no incentive to exercise ingenuity and industry, and nature's decree that man shall earn his bread by labor would be violated.

After acquiring a sufficiency, men ought to retire from the bustle of the world, as Penn argued, and spend their remaining years in comfort and ease. They would thus make room for the rising generation. If this principle is observed, population could never be too great.

Stirrat's *Romaunt* was hardly the kind of treatise satisfactory to followers of the "American System."

## FRIEDRICH LIST: EXPORTER OF THE AMERICAN SYSTEM

Great hopes for the cause of protectionism were aroused for a while by Friedrich List, who appeared in Pennsylvania.[5] List was not the first German to leave his mark on American economics. The free-trader Bollmann had preceded him. Both were essentially promoters, but List was what one of his eulogists called a "high-class publicist," [6] whereas Bollmann was more of an intriguer and adventurer. List had a much better social science background and a definite penchant for academic preferment, but only as one aspect of an active career in politics and business. In many respects he resembled Tench Coxe.

List was born in 1789 in the reactionary German state of Württemberg, where his father was a prosperous tanner and public official. At the age of seventeen, Friedrich was able to enter what most Germans considered the most desirable occupation—bureaucracy.

After attending lectures at Tübingen while stationed in the university town, and after observing the working of the Württemberg civil service, List told the government in a memorial published in 1817 how the glaring defects of both could be cured to the advantage of the service. The civil servants should have instruction in the "theory and practice" of public administration. The university is unable to provide this instruction because no one there "has any conception of national economy. No one teaches the science of agriculture, forestry, mining, industry or trade." The government was interested and, though he had had no previous university training, he was appointed to a newly established chair of "administration and politics" at the university.

Assuming that his chair was something more than a mere academic post, he was soon busy trying to build up a strong political and commercial union between the German states. He became active in 1819 in promoting a union of merchants throughout Germany which took the name of the "Union of Merchants and Manufacturers for the purpose of promoting German Trade and Industry." He was appointed organizer, or *Konsulent*, of the association. On its behalf he prepared a memorial to the federal Diet of the German states advocating what he then called "freedom of trade"—more specifically, the abolition of tariff barriers between the German states and the use of a common tariff as an instrument of retaliation against the tariffs of foreign countries "until such time as they too recognize the principle of European free trade." [7]

His own government, however, looked with suspicion on such activities, and he was dismissed from his academic post. Failing to get along with his associates in the Merchants and Manufacturers Union, he left it. Meanwhile he went into politics in his state and was elected to the legislature. But the government viewed his demands for financial reforms as treasonable. After serving eight months in prison, he was ordered deported in 1825. Having promoted various journals and written for others, List had hopes of a journalistic career in Europe. But his hopes came to nothing, and he migrated to the United States. On arriving in June 1825, he concluded that journalism would not pay, so he bought a ten-acre farm near Harrisburg, Pennsylvania, the state capital, in the expectation that it would yield a large income and rise to three times its value in a few years. The farm did not turn out well, and he became editor of a German-language newspaper in Reading but was always on the lookout for some worth-while academic post and any other enterprise that could utilize his promotional talents.[8]

The famous Harrisburg Convention in 1827 to promote the "American system" gave him his great opportunity. Niles and Carey were there to lend their journalistic efforts, but the leaders were looking for a good "theorist." List became intimate with one of the vice-presidents of the Pennsylvania Society for the Encouragement of Manufactures and Mechanic Arts, none other than Charles Jared Ingersoll, who had been pouring contempt on "theorists" ever since he had been forced to defend the government's financial measures during the War of 1812, but he thought he had a grand find for the cause in List. Apparently he and other leaders were irked by Thomas

Cooper's pungent thrusts against the tariff in pamphlets and especially in his textbook. Something had to be done; Cooper had to be met. So it was arranged that the philosophy of the American System should appear through a series of letters addressed to Ingersoll for publication in the Philadelphia protectionist newspaper, the *National Gazette*. These "letters" in turn were reprinted in other protectionist publications and further broadcast throughout the country in pamphlet form as *Outlines of American Political Economy*.

Ingersoll introduced List in the columns of the journal as a professor of political economy at Tübingen and "counsellor" of the "Society of German Merchants and Manufacturers for obtaining a German System of National Economy." At all times his protectionist sponsors referred to him as "Professor List." [9]

List's presentation of the "American political economy" was substantially that of the men with whose works he was long acquainted, especially Hamilton, Niles, Carey, and Raymond; but List had the advantage of academic and business experience.

He declared in his "letters" that until he had reached maturity he had zealously preached the doctrines of Adam Smith and J. B. Say, but then he had witnessed the "admirable effect" of Napoleon's "continental system" and the "destroying effect" of what was called "trade" after the downfall of Napoleon. Convinced of their errors, he had openly denounced the followers of Smith, and so popular was this opposition that in a few weeks a society of many thousands of first-rate manufacturers, merchants, and others throughout the German Empire was founded to "establish a system of German economy" with himself as the "counsellor." Of the necessity of tariffs all people in the interior of Germany had been convinced—agriculturalists, wool growers, proprietors of estates, as well as manufacturers. The critics were the few agents of English firms and the bankers. These were supported by a few learned disciples of Smith and Say who, because of pride in their own works and personal interests, still refused to see the truth. But the complete triumph for "national economy" in Germany was assured in the immediate future with the settling of a few remaining small details between the German states.

Of course, Smith was not altogether wrong. He presented the true principles of the "economy of individuals and of mankind" but not the modifications required by the split of mankind into national bodies. This constitutes the all-important field of "national economy." It teaches, as against the "individualistic and cosmopolitical princi-

ples" of "Adam Smith and Company," how a specific nation in the absence of an international state may regulate matters so as either to prevent foreign restrictions and foreign power from damaging her or to "increase the productive powers within herself"; in other words, how to become one of the most powerful and perfect nations in competition with other nations. Of course, it is "bad policy to regulate everything and to promote everything by employing social powers, when things may better regulate themselves and can be better promoted by private exertions." But the government must promote everything which may increase the nation's wealth and power if individuals are incapable of doing so. It must have a navy to guard commerce because the merchants cannot protect themselves; it must protect the carrying trade by navigation laws because the carrying trade and naval power support each other. Agriculture and all other industries must be supported by turnpikes, bridges, canals, and railroads; new inventions must be promoted by patent laws; and, finally, the manufacturing power must be raised through protecting duties if foreign capital and skill prevent individuals from engaging in manufactures.

The great effect of protecting duties is to attract foreign capital and skill to the country and prevent the disadvantageous extension of population and capital over an immense continent. Just as the Roman military power was weakened by extending its territory, so the national strength of the Union will be weakened by adding new states. Fifty millions of Americans scattered over the continent will have nothing to do but clear land, raise wheat and eat it, to the further stagnation of eastern agriculture and the increase of idlers, partial and total. Only by placing the manufacturer by the side of the farmer, as Jefferson advocated, can population and capital be prevented from migrating to the West. Ohio will soon be as populous as Pennsylvania. Only by fostering manufacturing interests can Pennsylvania and all the eastern and middle states increase in population, art, science, civilization, and wealth.

But the difficulties in starting large-scale manufacturing enterprises are tremendous. Among other things, the undertaker has to contend with a lack of skilled labor and with the lower wages of labor prevailing in old established manufacturing countries.

Furthermore, the established foreign manufacturer can take advantage of the economies of large-scale production to dump abroad. The cost of production in a manufacturing business depends on the

scale of production. Thus, in England a manufacturer secure in his home market is assured a steady sale of, say, 10,000 yards of broadcloth at six dollars a yard, which will cover his expenses, including interest on capital, and leave a reasonable profit. He can then sell additional quantities abroad profitably at a much lower price. Thus by "steadiness" alone in protecting our manufactures—that is, by never lowering tariffs but raising them—the productive power of the nation would be increased beyond the greatest hopes.

This does not mean, however, that the United States should foster all manufactures with equal care and at the same time. A new country like America should begin only with those industries which employ a large number of laborers and great quantities of agricultural produce and materials, which require machinery, and which have a large internal consumption—that is, cheap mass-production goods, not the finer goods.

This raises the question of parsimony; but, like all questions, the answer depends on the circumstances or state of development of the country. The parsimony of a farmer in a new settlement who spends all his time and labor in improving his farm and increasing his stock, and who walks barefoot and wears homemade skins increases productive power because without this exertion and self-denial the land would not be improved. But the same degree of parsimony in a settled country diminishes productive power, for there will be no hatters and shoemakers to eat bread if farmers will not wear hats and shoes.

Similarly, the fact that the United States should enter large-scale manufacture does not mean that every country should. This depends on the circumstances or state of development of the country. For instance, Mexico and South America, like Spain, should not embrace the manufacturing system, but exchange their precious metals and raw produce for foreign manufactures. Since these people are "yet uninstructed, indolent and not accustomed to many enjoyments," they "must first be led by a desire of enjoyment to laborious habits and to improvements of their intellectual and social condition." But the same specie which harms Spain, Mexico, and South America would give immense power and strength to the United States.

The Spanish-American market would reconcile the interests of American commerce and manufacture. English statesmen, for the selfish monopolistic ends of England, promoted the independence of South America to get the market away from the control of the

continental powers. But if the United States acts quickly, she can capture the markets and become by virtue of her enhanced manufacturing power the dominant commercial and naval state.

Here also lies the answer to the South's problem. The South can easily go into cotton manufactures and capture the South American market because it has the material, the cheap labor supply in slaves, and is close to the market. (But List probably meant the comment on the South to be taken less seriously than others, for he argued at other times in his letters that, while immigration would be a blessing to the country, an exportation of blacks would be an exportation of weakness not of power.)

The great beneficiary of the tariff would be the agricultural interest, especially in the rise of the price of land. In fact, List found that the great defect of Adam Smith and J. B. Say was precisely that they say nothing about the consequences and causes of the rise and fall of land prices. At the same time, like Carey, he was led to exculpate the country banks from any blame for the depression in agriculture. The banking system stands, rises, and falls with the price of property and land. True, the banks issue large amounts of notes in excess of their specie, but these notes represent a "nominated quantity of money consisting in the value of property and land." But the real value of property and land depends on the market price of land. If its price rises, so does the security of the paper; but if no price can be realized, the property cannot be converted into cash and the security is lost to the note holder. But the price of land varies with the price of the produce. Therefore the principle condition of a banking system is "steadiness" in the price of agricultural produce and can only be achieved through a national system, securing the home market to the farmer through manufactures. The result, he said, would be a rise of land values undreamed of by the farmers.

The final letter published in the *National Gazette* was not included in the pamphlet. This was devoted to chiding the South for its attacks on the Harrisburg Convention and proposed tariff rises. "What are the cotton growers complaining for?" he asked. "The present [economic] embarrassment is only produced by their overdone cotton production." Why their "turbulent meetings, their violent speeches," their threats and menaces against law and order? [10]

List's peculiar though not unusual "agrarian" defense of high protective tariffs for certain "capitalistic industries" was sharply questioned in a memorial published by a group of Boston merchants. List

replied with a "Lecture on the Boston Report, and Particularly on its Principles Respecting the Landed Interest of Pennsylvania," which was duly printed in the *National Gazette*.

Under the present "free trade" system the farmer exhausts the fertility of the soil and moves west. So long as the land had little value, the owner was interested merely in increasing the extent of his property. He saved on labor and expenditure to buy out departing owners. But when land rises in value, all his speculation is directed to increasing the productive quality of the soil, not in saving labor and expenditure. Agriculture becomes a science, and land values rise. So if the country succeeds in raising its manufacturing industry, as protectionist France has, then the landed property of Pennsylvania "would increase from 7 to 66 dollars per acre, or from [a total value of] 210 to 2046 millions." This sum at 6 per cent interest would yield 110 millions and "the interest of the interest would make 6½ millions; which is certainly more than we consume at this moment of foreign merchandise." To buy cheap manufactures is consequently not the farmers' primary interest. Their suffering would be worse if they got these import goods for nothing "because the English would in that case indemnify the Americans only for the interest of the interest of that sum, which they would give if they would make them themselves."

Of course, free trade is the ideal, and the United States will proclaim the true cosmopolitan principles when the time is ripe. This will be when the United States has a hundred million people and the seas are covered with her ships; when American industry attains the greatest perfection, and New York is the greatest commercial emporium and Philadelphia the greatest manufacturing city in the world; and when "no earthly power can longer resist the American Stars." Then "our children's children will proclaim freedom of trade throughout the world, by land and sea."

But until then "the friends of domestic industry" have much work. The Pennsylvania Society ought to be enlarged into a national organization. It should meet annually to prepare the necessary legislation for Congress after discussing the measures and gathering the facts. It might be objected, said List, that this is Congress's affair. But members of Congress are selected for their general capacities as politicians and legislators, and Congress cannot have sufficient time for maturing economic data. The national chamber of businessmen would be confined to discussing the various branches of national economy and

to enlightening the public as well as Congress. This is especially necessary in the United States because the American government has no "chief of a Home Department" with thousands of subordinates to supply reports from all quarters of the country.

Along with the embryo "National Association of Manufacturers," List proposed that a comprehensive national school of business modeled after the French national polytechnic school be established as one of the best ways, along with the tariff, of increasing the nation's "productive powers." This might be done by enlarging the scope of the Franklin Institute of Philadelphia.[11] List vainly hoped a professorship of political economy might be provided for him. On the floor of Congress in 1828 Cooper's close friend, the great entrepreneur General James Hamilton of South Carolina, exclaimed: "We appear to have imported a professor from Germany, in absolute violation of the doctrines of the American system, to lecture upon its lessons." List's local congressman did not defend him. Worst of all was the mistake of putting the famous Jefferson letter of 1816, to Benjamin Austin, in the treatise, for the southern critics quickly brought to light Jefferson's subsequent letters denouncing protection root and branch.

But the Pennsylvania Society was willing, in fact enthusiastic, that List prepare proper textbooks. The important interests of the United States, it declared, are suffering from a lack of "sufficient dissemination of the true principles of Political Economy," whereas the enemies of the American System ceaselessly promote the republication and dissemination of the maxims of Smith, Say, and other writers. So they have urged Professor List to prepare an elementary work for the use of schools, and also a more elaborate treatise, and have called on members of Congress and institutions of learning to back the enterprise with subscriptions.

In an advertisement of his major book, to be called "The American Economist," List said it would reveal "the errors and imperfections of that system of which Napoleon said: *If an empire* were of granite, it would be ground to dust by following its *precepts*."

While Ingersoll repeatedly complained of List's negligence in preparing the much-needed treatise, List was busy promoting a railroad company to develop some anthracite coal deposits he owned to supply the export market.

Having supported Jackson for the presidency in 1828, List felt he ought to be given a diplomatic post to France to push American in-

terests, including a market for American coal. He sent Jackson a printer's proof of the introductory chapter—the only one that ever reached the printer—and informed the President that his aim in the chapter had been to show how England had risen from a mere colony of the Hanseatic League to the leading naval, commercial, and manufacturing power, and to trace the path this country must follow to arrive at her great destiny.

If given a French post, he informed the President, he would continue to write in opposition to the English monopoly and would report to America any technical developments in the new means of transport—railways and steamships. But his special aim would be to improve commercial intercourse between the United States and France, promote the importation of anthracite by France, and induce the French government to build railroads from the seaport to the interior. He would also attempt the same objectives in the German states and seek to promote a better organization of German emigration to the United States.

But the best post he could obtain was the unsalaried consulship in Leipzig, where he spent much of his time in journalism and promotion. His affairs did not prosper. He felt disgusted with the refusal of the Württemberg government to restore his citizenship. When the crash of 1837 reduced his income from his investments in the coal mines and navigation company, he was willing to return to America if he could get a translator's post or even an academic position teaching German. But he finally went to France, where, between his many enterprises and promotions, he began to write his "system of political economy." For a while he thought of writing it in French, and apparently it would have been called a "French Political Economy." But in 1841, after returning to Germany to push his various schemes, including railroads and commercial treaties, he published his work in German under the title which in translation was *The National System of Political Economy: International Commerce, Commercial Policy, and the German Zollverein.* What was supposed to have been the "American political economy" was now "German political economy," but the nationality made little difference.

Manufacturing power, he declared, promotes science, art, and political development; increases well-being of the people, the population, national revenue, and national power; provides the country with the means of extending its commerce throughout the world, of founding colonies, nourishing the fishing industry, shipping, and

the navy. Through it alone can home agriculture be highly developed. But it would be folly to help home agriculture directly by protection. Since agriculture can be advanced only by developing home manufactures, the exclusion of foreign raw materials and agricultural products, by raising the cost of domestic manufactures, in the end can only depress home agriculture.

If a nation has a relatively small territory and limited resources, it cannot apply the protective system successfully until it has first supplied its deficiencies by conquest or treaty. Of course, not all areas could rise to be great naval, commercial, and manufacturing nations. These are limited to the temperate zone because its climate is the natural home of physical and mental effort. But the tropics, while ill-suited for manufactures, possess "a natural monopoly" of valuable agricultural products in demand in the temperate zones. This exchange of the manufactures of the temperate zone for the products of the tropical "colonial goods" is the best example of "cosmopolitan division of labour and co-operation of powers, of international trade on a large scale."

This policy, he said, appears superficially to leave the tropics in a state of dependence. But this dependence is dangerous only if all manufactures, commerce, and sea power are monopolized by one nation. Thus the dependence of the weaker tropical nations will be harmless, indeed will disappear, as more nations of the temperate zone become equal in manufactures, commerce, shipping, and political power. But a "nation is rich and powerful in the proportion in which it exports manufactures, imports raw material, and consumes tropical products." [12]

Five years later, plagued with the feeling of failure, List committed suicide. But not many years passed before he was worshiped in Germany as the greatest German economist, the source of the new and supposedly unique German political economy of national power.

The American System had been turned easily into the German system.

### WILLIAM JENNISON'S MANUAL FOR THE COMMON SCHOOLS

Meanwhile, in Pennsylvania, as in Maryland, there was an attempt to provide a simple version of the American System for the lower schools. To this task, William Jennison (1757–1843), Harvard gradu-

ate, Revolutionary War officer, and Philadelphia schoolteacher, gave his talent. In 1828 he printed at his own expense a seventy-eight-page booklet called *An Outline of Political Economy*. He praised high tariffs and state aid for internal improvements. National wealth, he declared, is the aggregate of individual wealth. This proposition he interpreted to mean that if one branch of industry, notably manufactures, is allowed to be depressed by extremely low prices, all other branches of industry will suffer. The producers in the affected industries will either enter the other industries or be unable to purchase the products of the other industries. Thus the low prices resulting from excessive competition are bad, but a gradual reduction is good. Corporations are desirable because, with their great resources, they can withstand those disastrous fluctuations of trade and meet the excessive competition which often proves fatal to individuals and smaller establishments by withholding their articles until the price rises.

Jennison was enthusiastic over the Bank of the United States; but he held that there were too many banks of issue. Their "excessive" issues, by raising the price of labor and perhaps of raw materials, have arrested the advance and progress of our manufactures and agriculture, he wrote. Many states are sinners, especially Pennsylvania. As for the mass, the remedy is a general elementary education of all, rich and poor, at state expense, as in New England and New York. It should include the elements of reading, writing, English grammar, arithmetic, geography, and sometimes Latin and Greek. Anything else of importance to the useful arts might be added.

He could hardly hope for a good market after stating that Virginia has fallen behind northern states in wealth and population because of slavery.

### WILLARD PHILLIPS: CONVERTED PROTECTIONIST

Leadership in the literature praising the American System toward the close of the twenties passed to the region which had originally led the attack on it. Willard Phillips (1784–1875) reflected admirably the process of evolution in the economic theory of New England. He was graduated from Harvard in 1811 and remained there for the next five years as a tutor. At the same time, he studied for the law and was a contributor to and editor for leading New England journals. His ar-

ticles ranged from literature to theology. He served in the state legislature and was a judge. He became an expert on marine insurance, patent, and admiralty law.

Phillips's general social philosophy was epitomized in his description of William Godwin as writing "with the air of a conspirator against the moral government of world." He views "the order, the beauty and learning of the social system" as Satan viewed "the delights of Eden . . . as something to be blasted and spoiled." [13] During the War of 1812, in characteristic Federalist fashion, he publicly justified the refusal of the Federalists to purchase government bonds on the ground that it was "neither safe nor honourable to lend money to gamesters." The embargo, Non-Intercourse Act, the war, and the seizure of Spanish territory which endangered New England's profitable trade with the Mediterranean were destructive of the country's great commercial interests.[14]

Phillips was also a characteristic New England rather than Pennsylvania Federalist in his opposition to Bollmann's scheme for a private national bank to issue inconvertible notes. To demolish Bollmann's scheme, he commenced with a discussion of the theory of value which resembled Bollmann's. The economists have abandoned the distinction between real and fictitious value because the ground of desire is a matter of taste, he said. The value of an object is its market price. Consequently the value of coin and bank notes is no more fictitious than that of bread. But bank notes, like mortgages and bills of exchange, are titles to property, not property. Specie, however, is a commodity of merchandise which the universal suffrage of mankind has made money. Consequently the value of bank notes depends on convertibility. Under inconvertible currency, business calculation is impossible and is replaced by speculation. True, the suspension of specie payments by the Bank of England saved England, but that was an exceptional case.

But the success of this suspension established a new fact in political economy—namely, that a nation could under certain circumstances suspend specie payments and still preserve its credit and not materially depreciate its currency. But it succeeded in England because of the support of "public opinion." All intelligent men in the leading lines, knowing that the government was implicated with the Bank and they themselves implicated with both, not only approved the increase, but also formed associations to continue to receive the notes of the bank at their nominal value. When we become so implicated with

our government and when a similar crisis arrives, it will be time enough to resort to a paper standard; but in that case the same principle would suggest that the government directly issue the paper rather than turn over the sovereign function to a private profit-making institution.

Bollmann's provision for one bank is unwise, for the competition of banks prevents fraud and overtrading. Some argue that the great number of banks, by making legitimate banking less profitable, encourage speculation to make a normal profit. This is an argument in favor of any monopoly. But it need not be feared that banks will resort to vicious practices and overtrading so long as notes are convertible.[15]

The proposal of the Madison Administration to charter a new private national bank with convertible currency met with his grudging approval. At least the Administration should acknowledge the wisdom of Hamilton, for the Jeffersonian party had arisen in opposition to his salutary principles.

During the depression of 1819, Phillips defended freedom of trade against those who criticized New England's highly profitable East Indies trade on the ground that it drained the country's specie and caused distress. Those attacks, he said, rest on the long-exploded notion of a balance of trade.

The main cause of disturbances in our pecuniary system is an abridgment of credit. This cannot be cured by legislation. Credit is essential to the country's prosperity; but where business is done on credit the whole economic fabric is involved because of the interdependence of all debts and credits and transfers of property. Though each dealer's proceedings are secret, yet each one's design affects the rest. In proportion as each design is well formed and each calculation made accordingly, the whole system will move harmoniously, and increasing confidence and prosperity will result. But when from some change people suddenly become more cautious and distrustful of each other, the breakdown of the credit system results in a scarcity of money, not because of the scarcity of treasure, but because of the extraordinary demand for cash payments.

Insistent that "the public interest coincides exactly" with that of the merchants, Phillips on every occasion called for the extension of commerce.[16] If the revolutions in South America are successful, the United States will gain from free access to their resources and an open commerce.

Similarly, we should seek access to the now-barred Black Sea trade with Russia. Unlike England, who intrigues for exclusive privileges in foreign countries by diplomacy and her navy, we are satisfied with the returns of free competition from our natural advantages and the superior skill and economy of our merchants and navigators. Thus the government should adhere strictly to freedom of trade. Naturally, in this early period, he described Adam Smith's *The Wealth of Nations* as "remarkably profound and ingenious." [17]

But the national wealth should include more than a mere inventory of income or profit-yielding physical objects—that is, property or capital as ordinarily understood. It should also include those capacities and skills which contribute to the further acquisition of property, such as teachers so long as they get an income.

With this conception of national wealth, and as great manufactures became a dominant interest in New England, Phillips had no difficulty in moving over to the American System. In 1828, the year of the Tariff of Abominations, Phillips presented his new faith in *A Manual of Political Economy, with Particular Reference to the Institutions, Resources, and Condition of the United States.*

Phillips traced his change to his reinvestigation of the science. Recalling this period two decades later, he wrote: "Being then imbued with the economical creed . . . taught in our public seminaries, I had occasion to attempt its vindication, against the aggressions then supposed to be made on commerce . . . through protective legislation." But, after restudying the subject, he had become converted to the opinions attacked and became thoroughly convinced that the "science . . . consisted very much of groundless postulates and sophistry." [18] However, he was careful to state that, while he was interested in giving the practical principles of the science adapted to the United States, he did not mean "that the principles of one country are wholly different from those of another," but that many of them are of great importance in one and small importance in another, and that others, again, have a practical application in some countries and are totally inapplicable elsewhere. In Phillips's hands, the familiar principles of economics underwent only such modification as made room for his brand of protectionism.

Phillips's old theory of value was the starting point of the discussion: Value and price are determined by effective desire or demand and limited by supply and more remotely by the average expenses of production, including rent. Phillips treated rent as a justifi-

able cost in the fashion of Cardozo and Tucker; and, like them, he expressed contempt for "the somewhat metaphysical and now exploded theory of rent of Ricardo."

Because of the highly competitive character of the market, success and profits do not result from chance, but from skill, activity, and economy. Consequently great incomes and fortunes are not objectionable. Speculation normally has the effect of narrowing extreme and fluctuating variations in prices which cause bankruptcies and derangements of the processes of production and exchange. Since credit is the basis of modern production, the community must give perfect security to venders and lenders and guarantee the obligation of contract. Thereby capital freely circulates and flows to those who can use it most advantageously.

He redefined his conception of national wealth to fit in with Raymond's. It included more than the objects of property of purchase and sale; it included also institutions and habits, such as the sanctity of contract, the protection of property, and the familiar virtues of saving, thrift, and industry in the mass of people.

The greatest error of the orthodox economists is their half-intelligible speculations on the subject of capital. Capital is essential, he said; but if the moral and physical powers of a nation can be aroused to an intense energy of accumulation they will supply the capital—more accurately, they will increase the available capital which is always deficient. "If the emperor of Cochin China wishes to construct a canal, he does not sit down computing the capital of his kingdom, with the dry and sterile *sang froid* of Mr. Ricardo," but, ordering twenty to thirty thousand of his subjects to build it, he has it constructed in record time and probably no speculations are made in his empire on the subject of capital or surplus produce during the whole process; and the result is, either that his subjects are fed, clothed, and lodged a little less comfortably, or worked a little harder that year than usual, as a compensation for which they have a canal. The emperor, being a person of absolute authority, can concentrate the energies of his empire on any point. The will, the firm unconquerable resolution of a democratic people, may be a substitute for a despot's authority in this respect, and "rouse, concentrate, and direct their moral and physical power, which is their living and inexhaustible capital," to equally as intense action and as magnificent results. "But the difficulty is to stir this lethargic giant, the public, into action . . . and animate him to wield his mighty powers

with uniform and sustained efforts"—that is, by such instruments as tariffs, appropriations by government for internal improvements, and similar aids to energetic businessmen to enable them to make a proper distribution of labor.[19]

The moral energies center in men of large capital and skill. If the community lacks a sufficient number of members of adequate means and capacity for projecting and executing the enterprises for which the country otherwise offers adequate resources, the resources will not be developed. The Canadian Indians are too improvident to cultivate their soil, but if they had "men capable of directing their industry to employment profitable to their employers they would be very useful productive agents."

Of course, government must not directly control business in general or in detail. It would be absurd for the government to prescribe how much ground each farmer should proportionately devote to meadow land, pasturage, corn, or barley. But supplying funds for internal improvements and giving protection from foreign competition does not fall under this ban.

Not all industries should be protected. Naturally the industries requiring protection were those in which New England was interested—textiles—and not metallurgical tools and instruments. Phillips argued that most industries, with the gradual progress of society, become established successfully without such aid and grow in size and skill with the growth or the needs of the community. But textile manufactures require an initial heavy investment of fixed capital and must import at the start expensive skilled labor, and of course must pay the high prevailing rate of wages. Consequently many years must elapse before the industry is so perfected as to sell cheaper than imports. But even after this point is achieved, the public still has an interest in maintaining the national monopoly. Though we already sell a host of manufactures abroad in competition with the French, English, Dutch, and German manufactures, still if the duties are removed or reduced the foreign countries could engage in dumping.

In fact, excessive competition within a country in a great branch of national industry is bad even if limited to domestic products. Such competition will reduce profits below the ordinary rate and will not only bring ruin and suspension of production to the specific industry, but, because of the interconnections of industry through credit, will spread distress throughout the whole community, throw great masses

of workmen out of employment, and thereby introduce discontent, distress, and riot. Thus, though the consumers may purchase goods at a lower price because of the competition, they suffer the most in the end.

It would be ideal if a country could establish such a system of economy that all branches of industry should afford constant employment to all workmen and uniform profits to the undertaker. But this is not attainable. "The value of a commodity is perpetually rising and falling, constant ebbs and floods, and occasionally spring tides and neap tides, succeed each other in commerce as well as in the ocean."

On the other hand, the West is unwarranted in complaining about a scarcity of money because its difficulties are due to imprudence and to great expectations in land speculation. So it foolishly and viciously demands paper issue, stay laws, and land banks and blames the country's distresses on the export of specie to India and specie-paying banks.

Stay laws or relief laws are violations of contract and pernicious political nostrums which aggravate the evil. They are used in cases "which cannot be relieved by any treatment and are better left entirely to the constitutional energies of the patient." The Supreme Court, led by venerable Chief Justice John Marshall, rightly hold such laws unconstitutional, and the violent declamation of that area against what it calls the judicial tyranny of the court is merely a sign of the fear of justice.

Phillips defended the existing banks on the rather novel ground that they can more promptly than individual lenders foresee a depression and take steps to reduce the impact. Where the great mass of loans is made by private moneylenders, "they will not so soon, and with such concert, take measures against an approaching pressure, as banking institutions, by means of which an impulse is almost instantaneously given through the whole money market. The banks serve as barometers to show the state of the commercial atmosphere. And since business will have its floods and ebbs, and the spirit of enterprise and production necessarily be checked, for a time; the more promptly an approaching crisis can be seen and provided against, as far as practicable, the less the community will suffer."

What started off to be a realistic discussion of the effect of the public lands on the rate of wages, Phillips soon turned into the conventional pattern. Contrary to the usual opinion, he argued, it is not

true that a "man without capital, who cannot get what wages he pleases," has only to take his ax upon his shoulder and go into the forest, and in a few years become possessed of a good farm.

But, land being cheap, a man can live independently and not only obtain support from its cultivation, but grow rich from its rise in value. This facility and inducement to purchase a farm drains away those who might otherwise become or continue to be hired laborers. The number of wage workers being thus prevented from increasing so fast, their labor is in more demand and consequently their wages higher. With high wages, each laborer, though he begins poor, if he is industrious and prudent, may in a few years save enough to buy a farm.

He handled poor relief in a similarly ambiguous manner. Contrary to the usual opinion, he thought private charity more wasteful than public relief. Private charity can hardly be said to build a sympathetic tie between the giver and receiver, since in a populous place there is little intercourse and knowledge of each other, and poor relief is generally sought after all other resources have been exhausted. But poor relief should be founded on the principles of the workhouse to reduce costs to a minimum and offer an inducement to avoid relief.

Saving by the poor is the real answer, and high wages in the United States provide the opportunity. The establishment of savings banks ought to be celebrated as an event of equal importance with the introduction of the compass and the invention of printing. Equally effective, if not better, is the scheme of a Rhode Island employer. This man encourages his laborers to save part of their earnings by allowing them interest on their arrears in wages and selling them house lots and small tenements on credit. Learning very soon how much easier it is to receive interest than to earn wages, many of them make strenuous efforts to augment their little capital, and they deny themselves every unnecessary indulgence to meet the payments on their purchase. They contribute thereby to the capital and the moral strength of the community instead of becoming a part of a wretched, discontented, turbulent mob. If all employers would follow that example, there would be less need of the Malthusian checks of war, disease, and starvation.

Phillips claimed, however, that the best remedy of all was education of the poor, in the wide sense of inculcating them with Franklin's writings in economics, which he had edited. Franklin's lessons of economy and thrift, he said, are presented so attractively, and "are

so congenial to the ways of thinking of the people, and at the same time so striking and so evidently just, that they cannot but have a great influence in preserving and perpetuating the calculating, economical habits of his readers."

But suppose the laborers do not save? Phillips's answer was found in his comment that, since "the common labourers in England are not disposed to save any great part of their earnings to provide for their increasing families, sickness, and old age," it is better for them and the community that their wages be at bare minimum subsistence, as is done for agricultural laborers in the counties of England. Any surplus above this they will naturally spend in riot and intemperance, which will reduce the quantity of their labor.

### ALEXANDER EVERETT: MALTHUSIAN CRITIC OF MALTHUS

Willard Phillips was not the only New England intellectual who saw the new light on the tariff. So did Alexander Hill Everett (1790–1847), lawyer, politician, diplomat, magazine publisher and editor, and college president. Like his younger brother Edward, Alexander graduated from Harvard with highest honors and then plunged into politics. He loyally supported the War of 1812. With his social and financial background, he had little difficulty in obtaining diplomatic posts in which he prepared schemes for American expansion and attacks on the "pessimistic" economics of Malthus and Ricardo.

While minister to Spain in 1825, he suggested to Secretary of State Henry Clay that Cuba could be peacefully obtained by a loan to tottering Spain with that colony as the security. Spain's great empire was falling to pieces, but he felt that America, destined to reach Spain's one-time greatness, would never suffer that fate because of her free institutions. America's great need was population as the source of wealth and power.

In the United States, he declared in his *New Ideas on Population* (1823), which he wrote in Europe, population has increased rapidly because the political institutions give complete security of person and property. Most of the citizens own land; the laborer can easily become a proprietor. People naturally want to obtain the easily acquired abundance. But this requires steady, unremitting labor; therefore "temperance and industry are the general characteristics of the people." These circumstances produce in the individual habits of foresight in industry and the capacity of promoting his own

interest and that of his family and connections. But the "new school" of Ricardo and Malthus asserts that laborers are always and everywhere condemned by a "standing law of nature" to a wretched subsistence for the profit of their employers. They base this unsound principle, he explained later, on the weakest part of Adam Smith's great *Wealth of Nations.*

In the chapter on wages Smith said that, before land is appropriated and capital accumulated, the whole produce belongs to the laborer; afterward he suffers a reduction because of the shares going to the other classes. But, Everett declared, these classes are all partners in a joint enterprise and each is rewarded according to his interest in the concern—that is, according to his "industry." Since capital is accumulated labor, it receives a share for increasing productivity. Thus the laborer gains by the introduction of capital. Since "the capitalist and labourer enter the market on a footing of perfect equality" each "receives the whole of his product."

Smith's second argument that the wage contract is naturally always to the disadvantage of the laborer because employers can more easily combine and hold out longer in wage disputes. But in fact the laborers have the advantage because after the dispute they start afresh with their whole capital—their personal strength and skill—unimpaired; whereas if the capitalist must suspend operations for a single day he is ruined.

Smith's third argument is that laborers naturally multiply beyond employment, and this depresses wages. But the increase of population leads to the growth of cities and manufactures, and these in return, through the advantages of division of labor and greater markets, reduce the cost of living relatively to the gains of laborers. If living were not cheap compared to the return of industry, people would not continually migrate to the disease-ridden cities. Thus the increase of population on the seaboard has not only covered that part of the country with abundance, but has exercised the most beneficial influence on the welfare of the interior. The growth of New York, Philadelphia, and Baltimore has scattered wealth and plenty throughout Genesee Valley and made the wilderness beyond the Ohio and Mississippi to blossom like a rose. It dug the Erie Canal; it will open a road through the Rocky Mountains. Thus, contrary to the "unnatural and unsocial doctrines" of the "new school," laborers do not multiply beyond employment, but increasing population increases

the demand for and rewards of labor and thus augments national wealth.

Stated another way, when the laborers are industrious and temperate, as in the United States, they can make great gains enabling them to raise large families and reach the highest positions in the state. As he put it later in the *North American Review*, Malthus's abstract speculations on population do not apply under our free and popular institutions because every individual obtains the product of his labor, and every improvement in science goes to him.

But back of the whole process is the power of the great men to uplift the mass. In the last analysis, the condition of the mass depends on the state of civilization in a country. In general, the individual can do but little to raise himself above the standard of civilization, but "the standard may itself be elevated by the efforts of powerful minds, whose talents and advantages enable them to exercise an extensive influence over the opinions and fortunes of others."

On the other hand, the same general influence of freedom which by diffusing property diffuses security, comfort, and intelligence through the mass, opens to the few gifted and lofty spirits a great career. In other words, our institutions make for the progress of civilization in both of its great constituent elements: the well-being of the mass and the high attainments of the few superior minds who are fitted by original powers and peculiar advantages of education to give direction to the thoughts and labors of the rest.[20]

Cardozo's "Ricardian" critic, Jonathan Porter, defended Everett in 1827 from Cooper's charge that he overlooked the need of accumulating capital first to employ the additional laborers. Malthus's ratios might be revised, said Porter, to read that population increases arithmetically, while capital accumulates geometrically. This is due to the spirit of accumulation which is not to be confounded "with avarice or the mere sordid love of property." This is evidenced by the merchants who pursue gain with unabated ardor until their dying day.

To this insatiable spirit of accumulation we owe the vast fabrics of opulence rising from every quarter where enterprise is left free, and not "to the selfish and calculating motive of comfort and convenience," as the "new school" argues. The passion for accumulation is thus an instance of "the most powerful and persevering principle of our nature," the principle of increasing advancement, the princi-

ple which "drew tears from Alexander because he had no more worlds to conquer." [21]

Not long afterward, Alexander Everett temporarily became a protectionist. Having lost his diplomatic post with the victory of Jackson, he returned to the United States and became the publisher of the powerful *North American Review*. While it had once been a free-trade organ, it now followed the new dominant faith of New England.

In a review of Phillips's book, Everett expressed sympathy with Phillips's purpose. But he found the treatise too complex. He held that Adam Smith with his labor theory of value was the great authority, and allowed for sufficient exceptions to free trade to provide the case for protectionism. The only objection to Smith was that, like so many others in his day who attacked abuses, he had overlooked the fundamental principle of respecting law and order without which society cannot exist. Protectionism, Everett concluded, rests on the same principle of protecting property. Manufactures will consolidate the population of New England and prevent its undue scattering.[22]

On the other hand, Cooper was denouncing "the notion mongers of Yankee land." He did not mince words. Cooper wrote: "See how readily [Daniel] Webster and [Edward] Everett with their solemn sabbath day faces can go in and out of every political whore-house they meet with, without a change of feature in their unblushable faces." [23]

As the period closed it was a common saying that economics was the favorite science of the day. Practically every college included a course. As the Brown University faculty put in its report of 1829: "Aware of the increasing importance of the science of political economy, the Faculty after mature deliberation have resolved to introduce it into the course of collegiate instruction. The learned work of Say has been adopted as a textbook." [24]

Say and to a lesser degree other free-trade treatises were the texts not only in colleges of a free-trade persuasion, but also in colleges in areas where protectionist sentiment prevailed. The protectionists could not supply a textbook that was simple, lucid, and in good English. And there were too many conflicting interests involved in the protectionist cause to make it anything more than a jumble of opportunistic moves.

The protectionists constantly expressed their regret at lacking a good professor of political economy for the cause. The report of the Harrisburg Convention stated that its lack of clarity arose in large part from this deficiency. McDuffie was perhaps more pertinent when, after reading a lengthy involved passage from the report on the floor of Congress, he commented that the Harrisburg Convention stood "much more in need of a Professor of Rhetoric, than . . . of a Professor of Political Economy." There was social dynamite in a line of argument that stressed the interference of the state unless the teacher were extremely skillful. In any case, the free-trade treatises contained enough exceptions, especially the infant-industry argument, to allow the protectionists to make their case.

Regardless of any textbook, however, the answers of students of political economy depended on the concrete issues and the practitioner's relation to them. Events in the world of affairs as Jackson began his presidency were such that the "immutable" principles acquired an extraordinary variety of interpretations.

BOOK THREE

# From Jackson to the Civil War

CHAPTER XXIII

# The Era of Jacksonian Democracy

JACKSON'S accession to the presidency in 1829 had signified little more than a widespread enthusiasm for a great military hero. He was a substantial citizen of Tennessee and just as much at ease in Washington drawing rooms as in frontier brawls. Men on all sides of controversial issues had voted for him. On only one thing had he been definite—in his opposition to relief legislation in his own and adjoining states. But even strong advocates of relief were among his campaign lieutenants. After all, supporters of relief were not differentiated by their wealth.

Once in office, however, Jackson showed tendencies that brought him closest to the ideals of "free enterprise" that Jefferson had espoused before becoming President. It was Jackson who formally committed the Democratic Party, as his faction of the old Republican Party was now called, to opposition to high tariffs and federal grants for internal improvements, which for the most part meant grants to private corporations. He also committed it to the elimination of the private national bank. In substance, of course, the opposition to the tariff and internal improvements turned out to be more formal than substantial, but at least it became a part of the party's program.

The great leader of the opposition was that other son of the West, Clay, aided and abetted by his opponent during the War of 1812, Daniel Webster. The conflict was hardly sectional, for there were splits everywhere. Though the contestants often put the struggle on sectional grounds, as far as the broad program was concerned this was no more relevant than the constant attacks on the "moneyed aristocracy" in which all engaged.

The tariff was a burning issue for a while. South Carolinians with much zest took up Calhoun's doctrine of state rights and nullification, or state "interposition," as he preferred to say. The ardent nullificationists organized the "State Rights and Free Trade Party"

in 1831, while those opposed to nullification established the "Union and State Rights Party." Both parties agreed that the tariff for protection must go. But the latter included a number of surreptitious protectionists, especially one of its organizers, Hugh Legaré, whose sympathies with the aristocratic Federalist tradition had been fortified by travel and study in Europe. He said in a speech in 1831 that he used to believe that the tariff was in the competency of Congress, but after more "mature inquiry" he had changed his mind. He also said in an unsigned article in the *Southern Review*, which he edited, that the dominant viewpoint of Cooper and his school did not really represent the sound economics of J. B. Say. The bad effects of import duties, Legaré held, are counteracted by the savings they induce as regards other and luxurious articles of consumption. Thus, if broadcloth is doubled in price, the consumer will doubtless wear as many coats as before but go to the theater less and pay less rent.[1] But even Legaré was very careful to assert that the existing tariff burdened the South. This did not save him from caustic criticism backed by withdrawal of financial aid from his journal.

In the North not a few supported the South Carolina state rights philosophy; most curiously of all, Condy Raguet, the ex-Federalist. Raguet had entered the consular service in 1822 but had gotten into difficulties and been forced to leave in 1827. He returned to Philadelphia and to his old occupations of journalist and pamphleteer. He started a series of journals to advocate free trade in the name of "state rights and strict construction of the Constitution." These journals included the *Free Trade Advocate and Journal of Political Economy*, the *Banner of the Constitution*, the *Examiner and Journal of Political Economy*, and finally the *Financial Register*.

Raguet was continually declaiming that if the northern critics of the South knew the science of political economy, they would realize that protective tariffs along with federal aid for internal improvements damaged southern interests and were thus unconstitutional. Unfortunately, politicians ignorant of economics think that nature and private interest can do nothing, but that the law must do everything.

Since only by economics can the tendency of law be known, it follows that no one should be a judge, legislator, or statesman who is not grounded in political economy. Raguet said that we should look to Charleston, which is already "more conspicuous for able writers in political economy and constitutional law than any other city of

the Union." In the pages of his *Banner of the Constitution* was expressed the hope for a return to the days before 1816 and its tariff, when the government was in the hands of political economists; but now the "political arithmeticians," mere statistics collectors, hold sway. Those denouncing the "orthodox system of the economists" and shouting the noisy dogmas of the multitude are "intellectual pygmies" of the lowest grade. Incapable of "comprehending the simplest definitions of the books," they "splutter about the visionary absurdities of Smith and Ricardo." [2]

A great free-trade convention was held at Philadelphia in 1831. Present were leading so-called free-traders, including Gallatin and the translator of Say, Colonel Clement C. Biddle. Raguet was secretary. But the memorial agreed upon was far from clear-cut. Southern extremists argued that the tariff was unconstitutional as well as unsound economics, but northerners like Gallatin who had once espoused tariffs questioned both "extreme" positions. Its constitutionality, they declared, had long been assumed, and they quoted especially Madison's support of their position. Various justifications were also offered for some kind of a protective tariff within limits.

Clay's 1832 measure removed some of the "abominations" in the 1828 act as far as the great manufacturing interests were concerned, but South Carolina declared the law void within its borders. Jackson asserted that he would maintain the Union and its laws, but at the same time called on Congress to revise the tariff so as to limit its "protective" character ultimately to articles needed for war. Beyond that limit, he said, the system produced discontent. So the opposing forces of Clay and Calhoun, who had in common a hatred and fear of Jackson, agreed to the compromise tariff of 1833 whereby duties were to be gradually reduced over a period of ten years to a "revenue" standard of 20 per cent.

Raguet's old friend Mathew Carey, after having once approved such a compromise, bewailed the stupidity of the wealthy manufacturers in begrudging funds to subsidize protectionist publications. The result has been that they have "not only laid the industry of the country prostrate at the feet of the manufacturing nations of Europe, but have enabled a few ambitious demagogues to destroy the dignity of government and . . . secure its destruction at no distant day." He was especially incensed at the refusal of these "overgrown capitalists" to reimburse him at least in part for his expenditures in defending their cause.[3] Not only did they treat him as a hireling

scribbler, they also berated him for encouraging competition from the South by advocating the use of slaves in the factories. This he felt would make the South friendly to manufactures and the tariff, and also tend to better the condition of the slave by raising their value.[4]

The great contest of the period was over the rechartering of the Bank of the United States. Jackson, it turned out, entertained the old-fashioned notion that the only money should be the "constitutional currency" of specie, not paper. He felt the bank had failed to perform its function of supplying a uniform currency. But as before the controversy in its broader aspects had its origin primarily in conflicting financial interests.

In a sense the struggle was also the counterpart of a similar contest in England over the Bank of England. There advanced opinion in the person of highly respectable economists, bankers, and merchants had long argued that the Bank of England was not a fit regulator of the currency so long as it was at the same time a commercial bank making discounts. On this basis, Ricardo, his disciple McCulloch, and others advocated that the note-issuing power should not be in the hands of the bank but should be turned over to an independent and truly national body, but of course be maintained on a specie basis. Of this and other phases of the contest in England, the able American controversialists were aware, but the whole matter was obscured by polemics.

The former Federalist, Robert Walsh, who got loans from the bank, apparently was willing to publish in his *American Quarterly Review* anything Biddle might desire.[5] Gallatin, complying with a request for an article, prepared with the aid of material from Biddle a learned, enthusiastic defense of the bank for the December 1830 issue.[6] The bank purchased for distribution from the publisher—none other than the Carey firm—ten thousand reprints in pamphlet form entitled *Considerations on the Currency and Banking System of the United States.* Many economists of note were asked to prepare essays for the journal, and these were also reprinted and distributed at the expense of the bank.

In 1832, though the charter had four years to run, the pro-bank forces pushed through Congress a recharter measure, with the aid of fiery exponents of nullification and state rights like McDuffie of South Carolina, as well as northern "loose constructionists." Jackson

vetoed the measure over the opposition of most of his cabinet, including his Secretary of the Treasury, Louis McLane, who had bitterly opposed any investigation of the bank in 1819. The presidential and vice-presidential candidates of the "National Republicans," Clay and Sergeant, were loyal supporters and beneficiaries of the bank, and they made recharter the chief issue. The journalist and historian, Richard Hildreth of Boston, who was no friend of Jackson's, declared that the bank "resolved to leave no means of victory untried. The services and good will of the . . . leading editors in the country were secured, by loans upon favourable terms, or doceurs" in the shape of payments for printing.[7]

Raguet joined the "state rights association" and denounced the "despotism" of Jackson and mourned for the return of "Mr. Jefferson and his principles." On the other hand, the anti-nullificationist, Madison, protested against Jackson's veto and reiterated the now-familiar defense of acquiescence for the constitutionality of the bank. Nathaniel Chipman, his old political enemy, in his revised edition on the principles of government, now applauded Madison as a great authority on the Constitution on a par with Kent. He phrased Madison's defense to read: "If a construction of the Constitution has prevailed, has been acted upon and acquiesced in for a reasonable length of time, it is to be considered as a precedent in the case." To this Chipman then added: "If, in addition, it shall have been approved by a course of judicial decisions, it has then acquired all the sanction, all the force of a rule of the common law—a common law precedent; and can be thereafter changed by that power only to which is reserved the right of altering and amending the Constitution itself." [8]

The re-election of Jackson did not end the bank's efforts. So in October 1833 Jackson ordered the government deposits removed to selected state banks preparatory to its winding up, but he was forced to remove two pro-bank secretaries of the treasury in succession before action was taken. Among his most effective charges was that the bank had used its funds to corrupt the press in the 1832 election. The bank's protagonists set up the cry of executive usurpation and despotism, though Biddle in 1811 in the old battle over recharter had argued that the right of removal evidenced the effective power of the government to prevent the bank from being an "irresponsible corporation." Southerners like Calhoun and McDuffie, who shouted state rights and nullification on the tariff, fell back on Thomas Cooper's familiar doctrine that, while the bank was unconstitutional,

it was necessary. Better still was the argument that Jackson's actions were far more unconstitutional and despotic because he was usurping the powers of other divisions of the federal government.

Daniel Webster had wanted to read his Federalist comrades out of the party in 1816 for voting for the second Bank of the United States; now he saw the nation crumbling to pieces if recharter failed. He was reported as saying in the course of the controversy that if Congress takes care of the rich, "the rich will take care of the poor." On this point he was ably defended by Noah Webster. "What would become of the poor without the rich?" exclaimed the lexicographer. "How would they subsist without employment, and how could they be employed, without the capital of the rich? Who but the wealthy can pay the public expenses? Who can furnish the capital for canals, and railroads, and all other public improvements?" Without the aid of the wealthy, the poor would perish or be doomed to savagery.[9]

Jackson's personal advisers were denounced as a greedy insidious "kitchen" cabinet who secretly plotted to overthrow the republic. Mathew Carey and John Sergeant headed a deputation of citizens to congratulate Clay, on his arrival in Philadelphia, for his fight against grinding despotism. Clay replied: The time has come to decide whether the Constitution, the laws, and the checks they have respectively provided shall prevail, or the will of one man shall have uncontrolled sway. The greatest exertions are necessary to maintain "the free institutions inherited from our ancestors." [10]

About the same time, Biddle, pleading the need to safeguard the bank's solvency, began what has been called by later students an "extraordinary contraction" of its loans.[11] Money pressure followed, and the bank's supporters in Congress, notably Senator Theodore Frelinghuysen of New Jersey, later president of Rutgers College, cited the bank's strength in the storm as further evidence of the need of rechartering the bank to save the country.

The bank forces had little difficulty in having memorials pour into Congress from all parts of the country. With Mathew Carey and Robert Hare among the promoters, a memorial to Congress was prepared early in 1834 of "merchants, mechanics, manufacturers . . . and others" of Philadelphia, that the government deposits be restored. The petitioners claimed that the prevailing distress had been caused by the removal of the deposits and not by the bank's reduction of loans. They declared that the industrious people, especially those dependent on daily exertion for support, were threatened with

extreme want and many were already in the position of having to depend on a "scanty and degrading charity." Congress could provide the necessary relief only by rechartering the bank.[12]

Carey's old friend Raguet saw eye to eye with the group on this issue. Within the limits set by the degree of expansion in England, the power of expansion of bank issues in the United States is in proportion as people believe the paper is good, he wrote in his journal, the *Examiner*. If this belief is withdrawn, a scarcity of currency arises because of the return of the bank notes for redemption, and prices fall disastrously. So Jackson's action, by destroying "confidence," caused the distress.

Raguet became especially incensed at "intelligent people" who sustained the President's action, and at leading reputable papers such as the *New York Journal of Commerce*, who felt that Biddle had contracted loans unnecessarily. So he published a general lecture on panics. In every country where credit, which is one of the most powerful productive agents, enters extensively into the transactions of people, there must always be a liability to panics. The effect of a panic is to engender doubts as to the solvency of banks and individuals. This leads to demand for redemption of bank notes, and the banks in turn must press their debtors, and a general stagnation of business results with its terrifying unemployment.

Now, when panics occur from causes which arise in the natural course of contingencies, the probability of which the public has an opportunity of judging, they can be met by precautions, as a mariner takes in sail when he sees a storm brewing. Thus the expected winding up of the Bank of the United States in 1836 was an event foreseen by everyone who was not blind, and all prudent men would have prepared for the necessary reduction of loans. But no prudence or foresight could have saved a man from Jackson's experiment, coming as it did on an unprepared community and thus acting with several times the force a mere winding up of the bank would have had.[13]

Biddle began informing his friends that all opponents of Jackson should join together to save the country. As a name for the combination, "Whigs" was suggested in 1834 by James Watson Webb, stock speculator and editor of the *Morning Courier and New York Enquirer*, who changed his mind on the bank after getting a loan from it. Of course, the name Whig was supposed to indicate that Jackson and his supporters were Tories and that bank forces were

the heirs of the revolutionary patriots. Under the banner of the Whigs marched the "nullifiers" and the "nationals." Jackson's temporary Secretary of the Treasury, Roger Brooke Taney, sardonically noted that Clay and Calhoun were joined in a common front to fight the "despot" even though the doctrine of nullification which Jackson had challenged had been called forth by the "national" activities of Clay.

Already Raguet, the ex-Federalist, had denounced Jackson as a Federalist following in the footsteps of Hamilton and Fisher Ames. He, too, believed that the bank was not constitutional, but Jackson's actions in removing the deposits was even more unconstitutional, for such action attested to the joining of the purse and the sword.[14]

But by the time of the congressional elections of 1834, the issue had obviously become whether Biddle and the bank or the government was to be the supreme power in the nation. Biddle's attempt to cause a credit contraction had alienated the support of many respectable figures, including bankers. A typical opinion was expressed by A. B. Johnson, then an upstate New York banker: "I care not whether the Bank be constitutional, or unconstitutional; a necessary fiscal agent, or unnecessary; whether the public deposits were rightfully removed by Government, or wrongfully—these questions are all merged in the greater issue, of whether the country shall be coerced to grant the Bank a recharter." Irrespective of any great services the bank might render, the question is whether the government should conquer the bank or the bank conquer the government.[15]

The elections turned in favor of Jackson. Biddle, however, got a state charter from Pennsylvania by the use of the arguments and inducements that had failed in 1811–1812.

Meanwhile the forces of Jackson, led by Senator Thomas Hart "Bullion" Benton of Missouri pushed two movements that they thought would secure "hard" money. One was the old notion of eliminating small bank notes. The theorist of this old movement was William Gouge, former editor of a Jackson newspaper and Treasury official, who was primarily interested in preventing new banks, especially in country areas. His general philosophy was that convertible bank notes were almost as bad as inconvertible notes. Bank notes drive out specie, he argued; and if the bank notes are eliminated, enough specie would flow in for the needs of trade; responsible private bankers instead of irresponsible corporations would perform all the necessary banking functions.

Convertibility is a meaningless term, for in a period of depression the banks are forced to suspend, to the bankruptcy of many. Specie payments place a limit on bank issues, but this is insufficient to prevent expansions and contractions which produce ruinous fluctuations of prices; and the very means by which the bank paper is kept convertible inflicts great evils on the community. Neither legislative controls nor discretion by the directors can prevent these fluctuations, for bank credit as a branch of commercial credit is "affected by all the causes, natural and political, that affect trade, or that affect the confidence man has in man."

The bank notes, however, should be eliminated gradually; for if all notes are immediately eliminated, the financial structure would collapse. Gouge estimated that ending the notes under a hundred dollars should take ten years. Even if it took thirty years, this is only a short period in the lifetime of a nation.[16] This movement, which most of the respectable leaders and monetary experts, including Gallatin, professed to support, met with little success, for each party was split, and good Whigs argued that small notes were convenient and necessary.

The ardent exponents never thought of an exclusively specie currency. Such a resulting scarcity of circulating media has always restrained enterprise and arrested the march of improvement, said the New York Senate Committee of Banking and Insurance in a report approving a bill to eliminate notes of five dollars and under. But eliminating small notes would prevent panic and the wider expansion and contractions of an embarrassed currency with the consequent loss of specie because, since the mass handles small bills, their soundness might be doubted, and thus there is always the danger of their being returned to the bank for redemption. Furthermore, the measure would reduce the urge for bank charters.[17]

But there was one measure the Administration forces thought would certainly bring a hard-money currency—namely, readjusting the mint ratio between gold and silver in favor of gold. It was argued that gold had disappeared because the existing mint ratio of 15:1 was under the market rate. Consequently the value of gold should be raised to 16:1. This would in effect increase the nation's specie because the people would use gold coins instead of bank notes, which they now prefer to carrying large amounts of silver.

The measure was passed, but the ratio was opposed by almost all outstanding controversialists, at least in the North, irrespective of

whether they were for or against the bank. Gallatin, who had favored readjustment to 15.6:1, in his essay defending the bank, thought the rates were too high. Both Gouge and Raguet argued in effect, like Thomas Hutchinson in colonial days, that a bimetallic standard was an absurdity, for no law can fix the value between the two metals any more than between two commodities. Since silver is the money in which our contracts and accounts are kept, it should remain the effective standard. In fact, gold, in the spirit of our laws, has been considered a subsidiary currency, its value being computed in silver dollars. But the new ratio, in overvaluing gold, would drive silver from circulation and make gold the money of account and contract. Worst of all, the revaluation would open the road to the pernicious doctrine that government sets the value of money. This would impair contracts and breach the public faith as related to all public creditors and officers' salaries. Raguet labored hard to persuade his many readers in Georgia, North Carolina, and other gold-producing states that they would not gain ultimately from the measure, since market value is the ultimate regulator; but they and Congress remained unconvinced.[18]

The Administration organ, the Washington *Globe*, declared that, since Latin America had broken from Spain, nearly all its gold would come to the United States as the "natural and best market" and diffuse throughout the West. In a few months "every substantial citizen will have a long silken purse, of fine open net-work, through the interstices of which the yellow gold will shine and glisten." Every substantial man and his family will travel upon gold. The satellites of the bank alone, to show their servile subjection to their liege monarch, will repine at the loss of paper.[19]

A notion put forth most clearly by Gouge as an alternative method of securing "hard" money if elimination of small bank notes could not get government sanction, was the idea of an independent treasury. Sub-treasury offices would replace the banks as the government's fiscal agents, and dues to government would be payable only in specie. The people, he said, will then begin to distinguish between cash and credit, and public opinion will force the state governments, one by one, to take the necessary measures for supplanting paper money by metal. But Gouge was careful to say in subsequent discussions that the people should not take hasty action such as prohibiting all bank notes at once. Essentially, he held to McVickar's views of a "free" banking system.[20]

This notion of an independent treasury was picked up, curiously enough, by a section of the Whigs as a part of the strategy of bringing about a restoration of the deposits to the Bank of the United States and an extension of the charter in the panic period of 1833–1834. Raguet got in touch in March 1834 with Senator Hugh Lawson White, of Tennessee, friend and supporter of Jackson, but a man who, the bank forces felt, was open to a change of opinion, especially since he had presidential ambitions. In a letter aptly described as "dexterous," Raguet asked White to sponsor such a measure, but at the same time the national bank was to be given an extension of time to conclude its affairs. The state banks, Raguet argued, are a greater threat to a sound currency and free government than is a single federal institution.[21]

White was impressed, but friends dissuaded him from the measure as politically inexpedient. Instead, General William Gordon, Virginia Whig and bitter opponent of Jackson's action in removing the deposits, proposed the measure in the House. He argued that the measure would counteract the undue commercial strength of New York: More than half the customs revenue is collected in one seaport and deposited in its banks. Thus the great state of New York, so justly styled the "Empire State," in addition to all her other just advantages, natural and commercial, has her banking capital increased by a single wave of the executive arm; but Virginia, the Old Dominion, receives from the same arrangement less than ¼ per cent. New York will grow too powerful for this confederacy; for, should "the political power of the President drift to a union with the commercial power of New York, they will present a combination ominous to freedom."

"Hard money" democrats opposed the measure, according to their leader, "Bullion" Benton, on the ground that it was necessary to conciliate the state banks if the Bank of the United States was to be prevented from obtaining recharter.

After the congressional election of 1834 in favor of the Jackson men, Raguet through the pages of his journal pushed the movement of "divorcing the banks from the government," even to the extent of denying that a national bank was necessary. But, while declaring for an independent treasury system, he insisted that the removal of deposits was unconstitutional and ruinous. At the same time he reiterated the necessity of the "study of political economy." Nothing can better induce "habits of accurate, sound and cautious investiga-

tion, than the study of the works of those profound, original, and elegant writers, who are the lights of this science." [22]

As Jackson saw the wave of speculation being accelerated by the use of bank notes in the purchase of western public lands, he took a further step to restore the "constitutional currency" and issued in July 1836 the famous specie circular barring bank notes from being receivable in payment for public lands. He declared that, by preventing the expansion of the credit system, the measure cut off the means of speculation, retarded the monopolization of the most valuable of public lands, and saved the new states from a non-resident proprietorship.

The Whigs denounced the hard-money policy. We no longer, said Webster, "live under a government of laws if an executive can say in what medium a man can pay his debts to government."

Jackson was vindicated in 1836 by the election of his chosen heir, the aristocratic Martin Van Buren of New York. Even scions of some of Massachusetts' most exclusive families were willing to campaign for the Democratic candidate. The historian, George Bancroft, son of Harvard and Göttingen, in 1832 finally, after some doubts, through the pages of Walsh's *American Quarterly Review*, stood for recharter of the Bank of the United States; but not long after the election he shifted to Jackson's side. In campaigning for Van Buren he exclaimed: "It is now for the yeomanry and the mechanics to march at the head of civilization. The merchants and the lawyers, that is, the moneyed interest, broke up feudalism. The day for the multitude has now dawned." [23] After Van Buren's election he was appointed collector of customs at Boston.

Hardly had Van Buren entered the White House when a panic occurred. The banks suspended specie payments, and the country was thrown into depression. There was little attempt at sober analysis to explain the crisis and depression. A writer's point of view depended generally on where he stood on the controversy between Jackson and the bank.

Raguet, who later more accurately explained that the suspension of specie payments "came upon the country, like a sudden clap of thunder, on a clear day, and overwhelmed everybody with surprise," [24] at the time argued that the depression in the rest of the commercial world was traceable to the speculative mania in the United States, and that this in turn was wholly due to the removal of the government

deposits from the bank. To restore specie payments, the government should make Biddle's Pennsylvania Bank of the United States the sole depository of the public revenue.[25]

Leading financial and commercial interests of the eastern cities through the press called on the President to listen to the "voice of the people" by suspending the specie circular and summoning Congress into special session to pass relief measures for business, lest the country be thrown into irretrievable ruin.

The specie circular was rescinded. But with government funds tied up by the suspension of specie payments as during the War of 1812, Van Buren decided to push further Jackson's policy of restoring the "constitutional currency" by proposing in Congress in September 1837 Gouge's suggestion of an independent treasury. Van Buren asserted that the depression was world-wide and had been caused by overtrading in all fields of business, "deriving perhaps its first impulses from antecedent causes, but stimulated to its destructive consequences by excessive issues of paper and by other facilities for the acquisition and enlargement of credit." The scheme would not only mitigate the danger of panics, but would also prevent the dangerous political tendencies of despotism and money power inherent in the alliance between the banks and the government.

In Congress, however, the issue was debated for several years. The old defenders of the bank vigorously denounced the hard-money policy and eulogized the paper of the state banks: The President is divorcing the people from the government by divorcing the people's money from the government's money. This policy constitutes a government's abdication of its sovereign function to regulate the currency, for paper is currency. Of course, they did not mean that government should directly regulate the banks, but rather that the government should recharter the Bank of the United States.

Clay explained that Van Buren, like Jackson, was the sworn enemy of all banks: If inconvertible bank paper is good for the people in that they accept it, why is it not good enough for the government? Daniel Webster exclaimed that the sub-treasury system, by putting the country on a specie basis, makes the people the slaves of the holders of specie, the moneyed men. But bank notes or credit allow every man a chance to acquire property.

On the other hand, Senator White, who had just been defeated for the presidency after running as a Whig, and calling himself at the

same time a Jefferson-Jackson Democrat, declared that the country must and always will have bank credits. A state bank is the only shield which can be presented against federal bills of credit.

William Cost Johnson of Maryland, who called himself a "Conservative Democrat," attempted to prove that the "specie standard" would hurt labor. He said he would not, as the political economists do, discuss useless metaphysics and abstractions. "I am in the Congress of the United States [and] practical utility . . . will best suit an American legislator." For this purpose he would read some extracts from a little volume a friend had sent him from Edinburgh. This contained more sound maxims useful to the laboring class than all the messages, reports, and speeches which have been written by Presidents Van Buren and Jackson and their supporters. He found that no library in the capital had it, but then this was indicative of the poor American taste for volumes of romance, whereas in England "nothing is quicker bought and read . . . than political essays and statistical tracts."

The book in question was, of all things, McCulloch's *An Essay on the Circumstances which Determine the Rate of Wages, and the Condition of the Labouring Classes.* And the extracts he read from this disciple of Ricardo were his rigid version of the familiar wages fund doctrine that the rate of wages depends upon the proportion which the whole capital bears to the whole amount of the laboring population.

From this doctrine Johnson deduced that if the sub-treasury were adopted, wages would fall to a fraction of their present rate because, by destroying the banks, the circulating medium would be reduced to the $80,000,000 in specie, whereas at present the circulating medium is around a billion dollars, which is gladly accepted as money by all who have debts to collect.

Legaré, who had originally been elected to Congress from South Carolina in 1836 as a supporter of Van Buren, also moved to the Whig side and absolved the banks from any blame for the distress. Irrespective of how the currency is organized, he said, the activity and boldness of the American people render periods of crisis and convulsion inevitable, but the mischief is not half so bad as the only effective remedy—namely, extinguishing the spirit that generates them. In any event, commercial credit and private loans, not banks and bank notes, at such periods encourage and sustain those great operations. On the contrary, banks mitigate the effect of the re-

vulsion, but unfortunately we have no Bank of England to save the commercial community in distress.

The President's fear of inconvertible currency is unwarranted. The suspension of specie payments in England during the wars with France alone enabled her to sustain the burden of that terrible conflict and achieve victory. What is more, thanks in large part to banking, to paper money, and to the credit system, England is "by far the most magnificent manifestation" in the world's history "of the might and grandeur of civilized life." So again from the same causes, New York, which not long ago was a mere flourishing commercial town, is now a great capital.

Not long afterward, as one of the lawyers for the powerful Bank of Charleston, he bitterly fought a state enactment to compel specie payments. The supporters of such measures, the hard-money Jackson men who cited Ricardo and Smith, he denounced as being ignorant of sound banking theory. He took as his main authority Raguet and declared that an appreciation of specie was confounded with a depreciation of paper. Legislative action can neither prevent the recurrence of commercial revulsions nor obviate their inevitable consequences.[26]

Meanwhile a number of former southern Whigs followed Calhoun in rejoining the Democratic Party and defended sub-treasury. Specie and paper, each has its proper sphere, declared Calhoun; the latter for large and distant transactions and the former for small petty transactions. The closer the circulation is to specie, consistently with convenience, the better for the productive classes universally, "I mean men of business, planters, merchants, and manufacturers as well as operatives."

The bill would especially benefit the South. Its great staples are cash articles everywhere, but while "we sell at cash prices, we buy at paper prices"—that is, we sell low and buy high. At the same time, the act would help domestic manufacturers by lowering the cost of production and enabling them to meet foreign competition, not by the futile method of a tariff, but by underselling the foreigners. In this way alone can the foreign market be commanded, and commanded it will be with a sound and moderately expanding currency.

As Calhoun went on in the debates, he became more enthusiastic about the gains to labor from the system, and uttered highly radical statements such as that the only sound paper, if any, was a limited amount of government inconvertible issues receivable for dues. To

his old Whig associates it seemed that the arch-conservative Calhoun was seeking to win support for his presidential aspirations from the northern middle classes, the "artisans," with their grievances against bank notes of ever-fluctuating value and even counterfeits as the source of all evil. Caleb Cushing in the House shouted that this unholy alliance between southern slaveholders and northern "radicals" was not an alliance between equals but between masters and slaves. Aristocratic Francis Pickens of South Carolina denounced Cushing and "his capitalist friends" who, like wolves, have been lapping the warm blood for forty years. It is a contest "between the great laboring and landed interests . . . and those who are identified with capitalists in stocks and live upon incorporated credit," those "irresponsible corporations" wringing the hard earnings of productive industry.

Gouge became annoyed at the constant charge of critics that supporters were a "detestable set of . . . agrarians, levellers, destructive infidels and atheists." He had no trouble in rebutting the charge by pointing to the great eminence in church, business, and society of the bill's supporters.[27]

The situation was complicated by Biddle's opposition to any measures that would prevent his Pennsylvania institution from being made into the old national bank. Besides, resumption of specie payments would interfere with some large business ventures he had undertaken. For example, he was engaged through an agency in London in attempting to control the price of cotton. At the same time, he was a sort of underwriter for the sale abroad of bonds issued by companies in "internal improvements," from banks to canals, guaranteed by the local governments in the newer states and territories.[28]

In a private letter, Biddle put his opposition on the ground that he wished to establish the "great theory . . . that in a democracy even the humblest citizen may maintain his personal independence against the temporary passions of the majority—and that private credit can withstand all the assaults of political power." [29] What was more, Biddle now harbored the notion that he should be made president for the country's good. The office had not the slightest attraction to himself personally, so he wrote privately. "As to mere power, I have been for years in the daily exercise of more personal authority than any president habitually enjoys. But I stand ready for the country's service." [30]

But in 1840 Congress finally enacted in a highly modified form the

independent treasury system. Though its admirers compared the act with the Declaration of Independence, it hardly ended the controversy, let alone the depression.

With the depression continuing, the Democratic Party had hard sledding. The Whigs elected their candiate, General William Henry Harrison, the Indian fighter, in 1840 by taking full advantage of the sneer of a Democrat that the General would be happy inside a log cabin with some hard cider. Whigs who had been constantly bemoaning the lack of appreciation of aristocracy became exceedingly vigorous over their own democracy. Daniel Webster threatened to thrash anyone who called him an aristocrat; and Legaré, who constantly dreamed of the beauties of the life of British nobility, threw himself into the campaign with a vigor that comported little with the customary picture of a lordly southern gentleman.

With Harrison's victory, Clay hoped that a national bank of the old model as well as other parts of his American System would be achieved. But the death of Harrison shortly after assuming office brought to the presidency John Tyler of Virginia, who had joined the Whigs because—so he said—he was opposed to Jackson's "despotism" over nullification. The man who had demanded the revocation of the national bank charter in 1819 was hardly likely to approve a bank of the old form desired by Biddle and Clay.

Biddle's reputation was not helped when the states began to repudiate, on grounds of fraud, the bond issues Biddle had helped to float. Besides, the failure of the Pennsylvania institution in 1841 revealed to many that Biddle was not such a great financial genius. Even Gallatin became lukewarm over a national bank and in 1841 denounced the Pennsylvania bank as being in every respect a public nuisance.[31]

What was more, with the general recognition that New York, not Philadelphia, was the financial and commercial capital of the country, there was an intensification of the demand that New York be the home of the mother bank if a new Bank of the United States were established. Even Raguet supported this proposal.[32] On the other hand, Hildreth, reflecting the never-too-great enthusiasm of the New England financial interests for a second bank, opposed a national bank but suggested that arrangements be made whereby New York banks would be the clearing center for the redemption of notes of all other banks.[33]

Tyler willingly acquiesced in the repeal of the Sub-Treasury Act,

but he was opposed to any national bank's having the power to make loans. He finally proposed a purely government institution. The measure contemplated a board of control—a board of exchequer—at the capital, with agencies at commercial points. It would pay public creditors at their option in treasury notes or specie, issue certificates to private depositors of specie, and deal in domestic bills of exchange.

Daniel Webster, then Secretary of State, defended the measure as providing a safe depository for the public money, a paper circulation always equivalent to specie, and a cheap and safe exchange in the commerce between the several states. The government, he now declared, should not commit the superintending and regulating of the currency to those whose occupation consisted in making loans and discounts. Whenever a bank makes a loan, it adds so much to the circulating medium of the country. But this institution under government control would prevent the issues from being excessive.

It was equally surprising to find Caleb Cushing supporting the measure. He reiterated: We shall never have a stable currency until we have separated the faculty of making money from the faculty of lending it. Critics in effect say that they cannot trust the constitutional government of the United States, but that "they could trust a corporation of mercenary men."

He reminded opponents that in all free states there are two parties—"the one in favor of onward movement toward the future; and the other, in favor of recurrence to the past." The latter party, and this includes the critics of the exchequer system, forget that "the world is not where it was ten years ago." They forget that "new facts have occurred, new ideals been developed, new purposes avowed."

The split in the Whig ranks not only defeated the bill but also Cushing's appointment as Secretary of the Treasury, and Cushing joined the Democratic Party. The Democratic victory in 1846 meant the return of the sub-treasury system.

Apparently Whig and Democrat had come to the conclusion that Jackson was sounder on the basis of business prosperity than Biddle or Clay. The eminent Reverend Leonard Bacon of New Haven could write in the *New Englander* that the policy which proposes to "regulate the currency of the country and to facilitate exchanges between distant points by the operation of a national bank is now indeed regarded as an 'obsolete' idea." [34]

The tariff, of course, remained a complex issue. In the presidential

campaign of 1840 Clay and Harrison asserted that the compromise should be permanent, but the Whig victory brought a rise. The tariff, like many other issues, was hardly a clear-cut party issue. No party could denounce tariffs completely and hope to carry Pennsylvania, for instance; and on the other hand, the ever-present threat of a surplus revenue along with conflicting interests in the tariff camp played havoc with demands for high tariffs.

Anyone reading the *Northern Light*, published by the learned wealthy New York Democratic politician, John A. Dix, would have got the impression that it was predominantly a protectionist organ. Even the publisher was somewhat sympathetic as he discoursed in the first issue in April 1841 on "The Rise, Nature and Objects of the Science of Political Economy." There is agreement, he said, as to the foundations of the science; differences occur only over the applications. The North wants duties to enable it to compete with foreign articles. The South wants to dispose of its staples in foreign markets and receive in return commodities with the least burden of taxation. The commercial interest wants the greatest possible freedom of trade and would follow the rules of political economy implicitly because they can be shown to be right in the abstract.

The tariff cause reached its high point of organizational rhetoric when a protectionist association was formed with the title, "The Home League for the Protection of American Labor and the Promotion of Reciprocal Free Trade." Its secretary said in 1843: The American government is based on "principles of equality both political and social." Therefore there must be such an "administration of the laws as will secure to men of wealth the enjoyment of their property," and to the laboring man sufficient to enjoy not only necessaries, but also comforts.

The tariff of 1842, having been "maturely prepared by practical men," has proved most beneficent. Its only opponents are the interested agents and presses in foreign employ and monopolizing capitalists seeking exclusive benefits from the labor of others without laboring themselves.[35]

The railroad interests, which demanded a continuation of free railroad iron, joined the forces opposed to high tariff. Colonel Alvah Crocker, president of the Boston and Fitchburg Railway Company in 1844, exclaimed: The Pennsylvania iron masters had the audacity to attempt to convince "the political economists" assembled in Congress that the purchases of foreign iron caused the excessive foreign in-

debtedness. On the contrary, it arose from the paper-money mania. The people assumed that resulting inflation was a permanent increase in wealth; so instead of imports of iron rails or gold, the people bought increasing amounts of gaudy British goods with the aid of British capitalists.[36]

The iron masters, Peter Cooper and his son-in-law, Abram S. Hewitt, declared in the columns of the *New York Journal of Commerce* that, if the iron industry is to compete successfully against British labor, either wages must be reduced to the British level of mere subsistence or a suitable tariff must be provided. If wages are reduced, then the iron workers' children must be imprisoned in a cotton factory as soon as they can walk and become almost as soulless as the machinery they guide.[37]

A keen southerner commented on such appeals to the laboring class by asking: "Suppose we should form an alliance" with the laboring class and besiege Congress to fix hours and wages and the number of workmen to be employed, the care and subsistence to be supplied by the capitalists in times of distress? This would be substantial relief, but would the protectionists still admit the "right of Congress to interpose in the complex adjustment of the delicate relations, between the proprietors of labour and capital?" Would they say that "labour is the great common staple of the country, and . . . needing protection" and join us in giving it? For the first time we would probably hear from these people that "there were rights reserved to the States and that Congress could not violate those rights." They would finally say that "Congress could not and ought not interfere in the relations between capital and labour—that where laws are necessary, the States alone are competent to make them and that the best system is to leave them to the parties, without legislation." [38] The repeal of the English Corn Laws in 1846 destroyed one of the greatest arguments of the protectionists. The tariff was first reduced in 1846 and again in 1856 by the Democrats. Raw wool was put practically on the free list, and New England, as in the days before 1828, could now appear to support free trade.

The Pennsylvania iron masters, however, in the face of reduction on iron and no benefit from the free list, saw things differently. Pennsylvania iron masters were only slightly convinced by the argument that a high tariff would alienate the South and endanger the chief market for Pennsylvania manufactures.

The problems of corporations began to attract some attention. They "occupy a prominent place among our economical and social institutions," reported one southern writer. They possess a large influence over all the business and interests of society. The subject has greater importance in the United States than elsewhere because of the sanctity of charters from the arbitrary control and interference of the legislature. But to harmonize these influential and "independent communities" with our political institutions, so as to secure the benefits and avoid the mischiefs, presents a problem.[39]

States began passing general incorporation acts on the ground that exclusive corporate charters were fit only for aristocracies, were monopolistic, and led to corruption of government; but a general incorporation act would give the blessings of free competition and accorded with the republican doctrine of equal rights. Such proposals were supported by substantial businessmen and, as usual, cut across party lines. Webster, hailing Massachusetts' general incorporation act for manufacturers, declared that corporations are nothing "but partnerships regulated by law." Corporations with their concentrated capital are essential to take advantage of the blessings of machinery and provide equal opportunities to rich and poor for investment. Consequently any opposition to the so-called overgrown corporations is "un-American." [40]

A. B. Johnson, who was then president of the Branch Bank of Utica and engaged in promoting banks and railroads, among other corporations, was much more urbane and sophisticated. The mediocrity of wealth enforced by the socially beneficial abolition of entail, primogeniture, and the like would have prevented the growth of large manufacturing establishments, banking, insurance, and railroads had not the absence of great capitalists been remedied by corporations, he said. These combine the resources of many persons and yield the advantage of large capital without the disadvantage of great private fortunes. Corporations are the rose of wealth without its thorn, "artificial pecuniary giants without the dangers of natural giants." They put the greatest enterprises within the capacity of any man who can inspire his fellow men with confidence in his project; since men are usually bold and enterprising in proportion to their lack of wealth, corporations, in transferring social progress from the rich to the relatively poor, transfer it from the timid to the bold, from the few to the many.

True, there is an inherent antagonism of interest between the corporation and its managers, but this very antagonism has meant the growth of corporations, for if the regular earnings of a corporation constituted all the benefit expected from it and these were divided among the stockholders, hardly anyone would undertake the labor of a promoter and stimulate others to become stockholders. Usually the originators take as little of the stock as is compatible with obtaining other stockholders and keeping desired positions in the management. Nor are the expected beneficiaries of newly projected corporations few in number. Bankers are enticed to become stockholders by the promise of deposits; lawyers by the promise of fees; merchants want commissions and contracts; men without employ want salaries; and landowners want to sell at a good price locations for the contemplated new establishment. But to obtain the "rank and file" stockholders, "who are to receive nothing but single rations, small pay, and plenty of danger," requires as in the Army "the drum and fife of wary and active recruiting sergeants," Johnson wrote.

Usually a corporation consists of too many corporators to be managed by them personally except by the annual election of directors; but the efficiency of this control by the stockholders is more theoretical than practical. In some cases a single stockholder owns a majority of votes. Attempts by some states to prevent this evil by giving large stockholders less elective power than small stockholders have been abandoned because the device was too easily evaded. Whatever other guards have been devised have likewise been effectively evaded so that boards of directors are practically independent of stockholders.

But, fortunately for social progress, corporations are frequently sufficiently profitable to sustain all the antagonistic disadvantages of corporate management and leave a sufficient surplus to gratify and sometimes even enrich the rank-and-file stockholders.[41]

The great promoters were now in railroads. The railroad boom went through many of the phases of the history of canals, with promoters using many of the old arguments. In the South as well as in the North the value of railroads to build up seaport towns as great commercial cities was vividly portrayed, and there was again the argument that they would attract to these towns merchants of large capital. Just as in the case of canals, the promoters pitted state against state in urging the necessity of being first to capture the western

traffic. As with canals, states in some cases granted companies the privilege of having a bank, ostensibly as a means of raising capital, even though the same promoters on other occasions might denounce the mischievous increase of banks.

Southern state rights leaders were at times strong backers of comprehensive federal aid to interstate railroad companies, especially if their areas or plans were benefited. Consistency was maintained at times by having the federal government make land grants to states who in turn were to give them to railroad companies.

And as with the canals, the promoters first sang the praises of private enterprise in the management but had no objection to state aid; this was even done by men who had just called for state ownership of their defunct canal companies. Similarly, when the railroad promoters had difficulties in obtaining further private investment or state aid ostensibly to complete construction, they soon discovered that state ownership was not undesirable if coupled with purchase of the roads.

The case of the Erie Railroad was illustrative.[42] In 1832 the promoters of the road, who were men of eminence in both political parties and in the financial and social life of New York, obtained a charter for a private corporation on the ground that funds could be easily raised and the road quickly built by private enterprise alone. But once the charter was granted the promoters lost little time in asking the state to provide the survey and make loans and subscriptions.

The New York City Common Council petitioned the legislature to grant the company a loan because similar companies "chartered and powerfully patronized by the Atlantic States south of this port" were diverting traffic from New York City. Opponents of state aid asked whether, if the anticipations of revenue were well founded, enough capitalists could not be found for the venture. But the state Senate Committee on Railroads replied: Wealth is so equally diffused in the United States that few have a large surplus capital, and these few must hesitate in embarking on such a vast untried project. Safe investments are always available to absorb the surplus wealth. No large internal improvement, it added, has been prosecuted in the United States by individuals or incorporated companies without government aid. Such support secures "the confidence of foreign capitalists" and "stimulates the doubting or slumbering energies of our own enterprising citizens."

The leading spirit of the company for a good part of the time, the Whig Samuel B. Ruggles, denounced the miserable dogma that government should do nothing but "protect every man in his life, liberty and property." Before the road was completed, and it took practically twenty years, the company more than once was willing to sell out to the state, and Ruggles even reached a point where he argued that a large-scale enterprise like a railroad could not and should not be left to private enterprise because of insufficient capital and the dangers of stock jobbing.

The great authority on railroad economics was the eminent engineer Charles Ellet. "The familiar principle of the desire for gain," he wrote in 1839, in his *Laws of Trade*, is the very life of internal improvement. The active principles of trade, whether of state or of incorporated institutions, may be at once reduced to this simple feeling. He found from deductions from the principle arrived at by "rigid mathematics" that railroad rates cannot be expected to fall. In the first place, he expected little from technical improvement. Secondly and more significantly, increased business will not cause a fall in expenses as some claim. True, the expenses of railroads falls into two different categories—those that are fixed and independent of the business and those that increase with the increase of business; but for the most important lines the total expenses are nearly proportional to the tonnage.

If the trade were very light, then the ratio of the constant to the variable charges would deserve attention. But the relative importance of the fixed charges will always diminish as the volume of the business, and consequently the variable expenses, increases.

However, expenses might be radically reduced if speed were reduced and double track avoided. To satisfy the traveling community's love of speed, engines are forced to operate with partial loads so that more engines are required, and the wear and tear on the road and vehicle are excessive. There is no sound reason for transporting merchandise at the great speed of fifteen or twenty miles an hour, said Ellet.

The problem of regulation was discussed, but inconclusively. It was felt in the most respectable circles that legislation should not limit dividends because this would encourage waste; but legislation should protect the companies from extravagant demands for compensation for land and the like, from vexatious opposition, and from the ruinous competition of other companies. But the companies should be

subject to such well-considered regulations and effective control that they would be beneficial to the country.[43]

At the end of the period, that authoritative expression of business sentiment, the *A Cyclopedia of Commerce and Commercial Navigation*, taking much of its information and views from the voluminous writing of Ellet, attempted to lay down the rules for making railroads profitable to their stockholders and to the public.

Although one of the most important elements in our prosperity and now a necessity, the railroads have been unprofitable investments to the stockholders because of unremunerative rates, the *Cyclopedia* stated in 1858. The procedure of making railroads more profitable would be for each road to ascertain the true cost of transportation of each article and then the highest charge which it will bear. "The true charge for each article and each position, it must be apparent, will be found somewhere between the actual cost of transportation and the prohibitory charge."

The *Cyclopedia* complained that legislation to protect the public interest was inadequate. In fact, the public advantage in railways, as well as in all public works, has "been all but wholly neglected." The railroad corporations are "permitted to control an immense amount of capital, and interests of the greatest magnitude with no other check, than . . . an annual statement notoriously incorrect, and in many cases made so systematically for the purpose of concealing from the stockholders and the public, violations of laws and want of fidelity to their trusts." The remedy is for the railroads to publish at frequent intervals "full and accurate statements of the results of the operations of the works, and the manner in which the officers have discharged their trusts."

Few in the business questioned Ruggles's statement that the construction of railroads throughout the country was the one vast democratic machine for equalizing the condition of the people. There is no truer, more honest, unterrified democrat "than the railroad, for the moment steam entered, aristocracy was doomed and the final enfranchisement of society from artificial distinctions, absolutely and effectively secured."

Legaré broadened the emphasis and painted a glowing picture of the high destiny of mankind in general and America in particular through the triumph of the machine under the guidance of the market. The steam engine in its twofold capacity as the means of production and a means of transport is the most powerful instrument of

pacification and commerce the world has ever seen. It increases capital and multiplies beyond all imagination the products of industry, brings the most distant people into contact, destroys the barriers which exclusive legislation would oppose to the freedom of mercantile exchanges—and promises to make the whole Christian world in the near future one great peaceful world.

While machinery under commerce raises the standard of living of the mass, it naturally creates that very inequality of wealth, that concentration in a few hands, which people have foolishly attacked as inconsistent with the liberties, the happiness, and the improvement of mankind. Gigantic fortunes are acquired by a few years of prosperous commerce; mechanics and manufacturers rival and surpass the princes of the earth in opulence and splendor. The face of Europe is changed by their active industry working with such mighty instruments on a grand scale.

This is the spirit of the age, said Legaré. Of course, in this young and wonderfully progressive country, it is more eager and ardent than elsewhere. It would be worse than vain to resist it. It is evidently in the order of nature. "The great designs of Providence, in giving to the most active and enterprising of all races a new world to build up and to adorn are not to be thwarted."

Of course, this race was the Anglo-Norman race. Legaré had seen what that race could do in continental Europe in the interval of fifteen years between two visits. An area which had formerly been barren except for an occasional ruin from the feudal past and a hovel of some poor kind, had by the spirit of gain with its usual concomitants, industry and improvement, been covered with steam engines, mills, and factories, the sound of active industry and the busy hum of men. The author of this revolution was naturally an English manufacturer who had begun there twenty years previously without much capital and had effected all this by his industry and enterprise. Now he had a more numerous band of retainers and dependents than any baron of the fourteenth century, and in every respect was more important than many sovereigns in Europe. And then Legaré thought that if Americans had Europe for a generation, what a great change they would bring to its filthy streets, wretched hovels, clumsy implements, and coarse clothing!

No wonder a Charleston newspaper reported of a toast of his at a southern commercial convention that his audience was electrified

by his exclamation that "the merchant is abroad—greater than the schoolmaster—civilizing, humanizing, and blessing mankind." [44]

And indeed the merchant was abroad. Tyler sent Cushing to China to negotiate a treaty opening the country to American commerce, and he returned with favorable concessions for American enterprise, including extraterritoriality.

The national domain was expanding with the annexation of Texas, the acquisition of Oregon, and the fruits of the war with Mexico. But, though many proponents of this expansion might cry that the acquisitions meant expanding the area of democracy and freedom, and dooming aristocracy, it also intensified social and economic problems.

The great gold discoveries in California were generally hailed as a boon. They were not expected to cause any disturbance. Joel Poinsett of South Carolina, high in the councils of the Democratic Party, wrote that the source was not inexhaustible and it would not change the currency or the value of the precious metals, for specie must increase greatly to keep pace with the increasing consumption and commerce of the world.[45] As A. B. Johnson put it in 1851, if there is a depreciation in progress, "it will still creep on, like old age, noiselessly and imperceptibly, and we shall become conscious of the change, if change it shall, only by comparing together long separated periods." [46]

But the change became so obvious by 1852 that the Whig President, Millard Fillmore, informed Congress that unless proper steps were taken, the great outpouring of gold would lead to overtrading. The high prices and speculation would bring about an excessive inflow of imports, the nation would lose its specie, and disaster would befall the business and capital of the country.

It was already being argued in and out of Congress that gold had become the effective standard of the people and therefore was not to be reduced in value compared to silver; but whatever silver may be necessary for the country's needs, especially small change, would be provided by lowering the content in the silver coinage other than the dollar and making it legal tender for a limited amount. And this was done in 1853.

Another business downswing began, ushered in by a panic in 1857. Books as well as articles on the "commercial crisis" began to appear. Each writer knew that the panic had been caused by one specific

phenomenon. The list of causes, consequently, was large, and ranged from the gold discoveries to the machinations of Wall Street. But, as in previous panics, the most "popular" cause was overtrading by the banks. Some of the bankers agreed that there had been overexpansion of bank credit, but the "excessive" credit, they held, was inevitable under the drive of a host of other factors which were the fundamental or "true" causes of the panic.

But relatively little attention was paid to this crash compared to those of 1819 and 1837, for the problem of the extension of slavery arose with the acquisition of California and other territories and was in the forefront.

The South had long ago ceased to give any serious attention to the elimination of slavery. Slavery was no longer defended simply as a necessary evil, but as a positive good. As such no criticism was to be tolerated.

The Nat Turner insurrection in 1831 in Virginia occasioned the last great open discussion of slavery in the South. As always, the question was the elimination of the black population. Leading the forces demanding some state action was Jefferson's favorite grandson, Thomas Jefferson Randolph. He proposed that a measure which followed his grandfather's suggestion be submitted to the "people." All children born of female slaves after July 4, 1840, were to be raised by their masters until the age of eighteen for the females and twenty-one for males and then be hired out until the neat surplus was sufficient to pay the expenses of transporting them out of the United States.

But neither such a mild proposal nor even milder ones would the legislature allow to be submitted to the "people." Randolph, opposing the "hopeless, ultra absolutism" of the critics, declared that the burden of defense against insurrection falls not upon the lordly masters of numerous slaves but chiefly upon the poor non-slaveholders, forced to patrol, for a "pittance of seventy-five cents per twelve hours, the very curtilage of my house, and guarding that property, which was alike dangerous to them and myself."

Benjamin Watkins Leigh, a Richmond lawyer who had led the successful fight against liberalizing the suffrage and representation in 1829–1830, made short work of the "abolitionist" proposal. He denounced it as violating the rights of property and the will of Providence, who sent the slaves and "will in its own good time dispose of

them and us according to its wisdom." Thomas Jefferson he described as a man who entertained some odd opinions, but he complimented Burke for his "profound political sagacity." [47]

In Calhoun the South had the American equivalent of Burke to work out a philosophy to safeguard its institutions and defend its demand for the extension of slave territory. In letter and address, Calhoun bluntly exclaimed: "There never has been a wealthy and civilized society in which a portion of the community did not in point of fact, live on the labour of the other. The bearers of culture must always live on the labour of the others."

In different civilizations the mode of exploitation varies. But "under the subtle and artful fiscal contrivances" of modern times, the hired laborers are treated more harshly than the chattel slaves. Compare the master's tender care of his slaves with "the forlorn and wretched condition of the pauper in the poorhouse." Since labor and capital are owned by the same person, the turmoil and anarchy of the North, where the workingmen have the franchise, is avoided. Thus the South has become "the balance of the system, the great conservative power which prevents other portions less fortunately constituted, from rising into conflict." It retains the good and avoids the evil of communism and prepares mankind for a higher social state.

All people are not equally entitled to liberty, he said in his posthumously published *A Disquisition on Government*, for liberty is a reward to be earned, not a boon to be given to people too ignorant or too degraded to appreciate it. But liberty among the whites ceases to be liberty if the government is one of absolute majority rule. This "absolute democracy," rule of "numerical majority," must eventuate in a despotism.

But a "constitutional," or institutional, government is achieved when the sense of each interest or part of the community is taken separately by a majority or any way by which its voice may be fairly expressed, and the consent of each interest is required to keep it active. A perfect organism would take the consent of every citizen, but this is impracticable, for it assumes that the different classes are sufficiently enlightened to exercise the right of suffrage. But if the organism takes the sense only of a few great and prominent interests, it will substantially accomplish its end, for the number to be plundered in proportion to the plunderers would be so few as to offer no motive for aggrandizement. Under the "concurrent majority" form of government, white manhood suffrage might safely be allowed, for then

numbers do not possess absolute control and "the wealthy and intelligent being identified in interest with the poor and ignorant of their respective portions or interests of the community, become their leaders and protectors."

At the same time the "concurrent majority" type, by restricting government to its primary end, "leaves necessarily all beyond it open and free to individual exertion, and thus enlarges . . . liberty to the greatest extent which the condition of the community will admit."

But the advance of the industrial arts creates dangers. Their results will be ultimately good, but their first effect "on long established governments will be to unsettle the opinions and principles in which they originated—and which have guided their policy—before those which the changes are calculated . . . to establish are fairly developed and understood." The interval between the decay of the old and the formulation of the new constitutes a period of transition which will necessarily be one of confusion, error, and fierce fanaticisms.

The governments of most advanced states are in this period of technological change. In other words, until the doctrine of "concurrent majority" is in actual operation, few will successfully pass through the transition, which "will endure until the governing and the governed shall better understand the ends for which government is ordained, and the form best adapted to accomplish them, under all the circumstances in which communities may be respectively placed." For the present the form of the "concurrent majority" suitable for the United States is a double executive, one chosen by the North, the other by the South, and each having an absolute veto on federal legislation. This would preserve the equilibrium between the sections, and maintain the natural inequality in condition of men as well as of races. At the same time, this doctrine allowed Calhoun and ardent followers to support the expansion of business enterprise by aid of the federal purse and power without the inconvenience of their shifting back and forth on the constitutionality of measures.

Shortly after Calhoun passed off the stage in 1850 came the successful attacks on the Missouri Compromise by pro-slavery forces beginning with the dispute over Kansas and Nebraska, which lay above the compromise line.

Stephen A. Douglas of Illinois, a spokesman of the so-called western "Progressive Democracy," cared less about slavery than about aid

from southern congressmen for his railroad promotion plans. So he set forth his doctrine of squatter sovereignty, or the right of inhabitants of territories to decide for themselves on slavery.[48]

Like Daniel Webster in his defense of the Clay Compromise of 1850, Douglas argued that geography and climate would make the areas free. Cushing, then Attorney General in President Franklin Pierce's Administration, who had in the old days opposed the extension of slavery, found the principles of the Kansas-Nebraska Act in strict accordance with *laissez-faire* economics and eventual abolition of slavery: Since free labor is more efficient than slave labor, it would inevitably squeeze out slave labor. Therefore, if the territories are thrown open to both types of labor, the free competition would eliminate slavery. Northern sentiment was aroused at this turn of events in slavery.

Already the Republican Party in the North had emerged as the heir to the dying Whig Party. It opposed the extension of slavery, claimed that it was the true party of Jefferson and the inalienable rights of man, but its economic policies were the old Hamiltonian ones plus a plank for government aid to a transcontinental railroad under private auspices and a vague plank for free homesteads. Merged with it was the American, or Know-Nothing, Party, whose central belief was antagonism toward foreigners, not as a labor supply but as citizens, and who demanded that twenty-one years' residence be required for naturalization.

Then came Chief Justice Taney's Dred Scott decision, holding with Cooper and Calhoun that the blacks, being inferior, could not be citizens, and that the Missouri Compromise was unconstitutional. Territories are the common possession of the entire country, said the court; therefore for Congress to prohibit slavery from the territories would constitute a violation of the equal rights of all. Aiding Taney in preparing the decision was his old enemy in the fight over the bank, none other than Cushing, who warned northern abolitionists that the South out of respect for itself would be justified in seceding. President James Buchanan felt that the decision, coming from the august Supreme Court, would forever settle the question. But it merely intensified the issue.

Republican leaders gave wide circulation to North Carolinian Hinton Rowan Helper's *The Impending Crisis* (1857). It called on the southern yeomanry, the non-slaveholders, to have no dealings with slaveholders, their politicians, and newspapers, and to band to-

gether as a political party to impose a tax on slaveholders to raise funds to export the blacks.

On the other hand, Thomas Prentice Kettell of New York, former editor of the Democratic organ, the *Democratic Review*, wrote in 1860 in his *Southern Wealth and Northern Profits*, that all schools of economists have long demonstrated that "labour is the source of all wealth." It was also early discovered that many people would not labor if they could help it. To prevent the injustice of supporting them at the expense of producers, the remedy was to force them to labor. Production was increased and the surplus enhanced by taking care that the slaves consumed less than they earned. That system of slavery with many modifications has prevailed down to the present; and all the wealth or capital has been the work of slave labor.

It was discovered that in the progress of civilization intelligent white men would produce more in a state of freedom than as serfs. So they were freed; and tithes, taxes, and rents were the means of exacting more of the proceeds of labor than could be obtained from serfs. But if northern opposition to the extension of slavery in the territories did not cease, the North would lose its great wealth, for the wealth was obtained by exploiting the South. New York gained especially because it was the nation's financial center.

The retired New York manufacturer and former Superintendent of the Patent Office, Thomas Ewbank, came out in 1860 with a pamphlet entitled *Inorganic Forces Ordained to Supersede Human Slavery*. Because of man's inherent corruption, slavery can only be eliminated if the masters can substitute a more profitable mode. This is done by the advance of technology. Wherever slavery is rendered commercially impossible by the superior economy and efficiency of inanimate forces, there the ultimate law has begun to prevail. Therefore opponents of slavery should devote their funds to extending the factory system to the South.

But Senator James Henry Hammond of South Carolina in a Senate speech in 1858 succinctly summarized the southern position in telling the North that its wage slaves were, like the black slaves, the mudsill of society and political government. Every social system must have a class of low intellect and skill for the drudgery in order that there may be a class leading to "progress, civilization and refinement."

Senator Jefferson Davis of Mississippi, after defending Caleb Cushing in the Senate in January 1860 as an "ornament to the age in which he lives," went on to quote approvingly from a letter Cushing

wrote defending the extension of slavery to the territories. The idea that slave property exists only by local law, wrote Cushing, is no more true than it is of other property. "In fact the European Socialists, who in wild radicalism (including the assassination doctrine) are the correspondents of the American Abolitionists, maintain the same doctrine as to all property, that the abolitionists do as to slave property. The famous theory of the socialist Proudhon is that property is theft."

As part of the strategy to force northern acquiescence in extension was increasing agitation in the South to reopen the foreign slave trade. If the slave trade is opened, exclaimed one of the outstanding leaders of the movement, L. W. Spratt, to the South Carolina legislature, slaves will be so cheap that the great number of southern white non-slaveholders can obtain slaves and thereby help to maintain the South as "the purest form of aristocracy the world has ever seen." [49]

For the campaign of 1860, the Republicans had as standard bearer a "western Progressive" hardly differing from Douglas. This was Abraham Lincoln, an attorney for railroads and a Hamiltonian in social and political views. He declared that he had never been in favor of bringing about "the social and political equality of the white and black races," nor of "making voters or jurors of Negroes, nor of qualifying them to hold office, nor to intermarry with white people." [50] But he was against the extension of slavery. So he claimed that he stood with Jefferson in favor of human rights against property rights.

Some of the die-hard Whigs set up a Constitutional Party ticket to preserve the *status quo*. Edward Everett, its candidate for the vice-presidency, denounced those philanthropists, especially abolitionists, who did not realize that important change is achieved gradually by the slow working of moral, physical, and economic causes.

The Democratic Party split into a northern faction favoring Douglas's squatter-sovereignty doctrine and a southern faction which demanded that Congress carry out the Dred Scott decision by giving positive protection to slavery in the territories. But both factions declared that the "Black Republicans" were in the same class with "Red Republicans." Old Jackson leaders in the West, with the same fervor with which they had attacked the moneyed aristocracy, charged the Republicans with sedition for supposedly speaking of equality between black and white.

Texas Democratic Senator Louis Wigfall declared in the Senate

in 1860: "Democracy in the United States means one thing, in Europe another. It does not mean here wearing a dirty shirt; I never saw a democrat in the country" who denied that a man had a right to associate with anybody he pleased. "We did not differ from the Whigs on questions of social equality," but on the construction of the Constitution. The Democrats have adopted the doctrines of Jefferson as a text, but Calhoun's commentary on the text is better than the text. Cotton is king, he thundered. Without cotton, northern operatives would be idle, northern capitalists would be broken, and then there would be nothing for the North to tax to raise funds to suppress the South if it secedes; whereas the South can raise an immense war chest through shipping the cotton.

Along with slavery the nation was beginning to feel some of the ills of the wage system. Respectable opinion, so well expressed by Gouge, held that any direct amelioration of the condition of labor by law or by labor combinations ran counter to the immutable law of supply and demand.

In denouncing the tariffs in the early thirties, Raguet gave full credence and wide publicity to the gruesome reports on factory conditions and the depressed condition of labor. But when it came to direct demands by labor for ameliorative measures, Raguet found that the condition of labor was as satisfactory as it could be under the same circumstances: Their demands show that the dissemination of the "true principles of political economy" should have reference to more than the tariff and internal improvements. "The spirit of inquiry manifested byworkmen is laudable in general but they have absorbed the erroneous notion that capital gets more than its just share. If this doctrine is permitted to gain strength by the apathy of those bound to interpose, incalculable mischief will be done the country. The value of any species of property and commodity can be determined only by the competition of the market."

A ten-hour day or higher wages through combination or law would contravene "the great principle of nature, called the law of competition," to the employer's ruin and loss of employment for labor. If custom from time immemorial in a trade requires twelve hours' labor, the ten-hour day would proportionately raise wages and prices. Either the employer would lose customers to other cities, or there would be an infiltration of laborers from other cities. In any event the laborers would suffer unemployment and lower wages.

The workingman is not a slave so long as he is free to accept or reject the employer's terms. Land is so cheap that the laborer from his wages can "with industry, sobriety and economy" become an independent farmer and have a chance for a seat in Congress. Even if he becomes a tenant on shares or money rent, he will acquire sufficient in a short time to buy a farm.[51]

Finally, in 1848, Pennsylvania began pioneering in factory legislation with a ten-hour law. It applied primarily to children, since those above the age of twelve could by contract agree to work more hours.

A similar proposal in Massachusetts was successfully opposed by the manufacturers. The legislative committee agreed that a ten-hour law in Massachusetts would close all the factories unless all the other states followed suit. But more basically "the question of hours involves the question of wages, and experience teaches that this is better regulated by the laborers themselves." Labor in Massachusetts is a different commodity from labor in Europe. In this country labor is on an equality with capital, and indeed controls it. So it ever will be while free education and free institutions exist.

There are, of course, some present evils, said the committee. It would be better if hours were less, if more time were allowed for meals, if more attention were paid to ventilation. But "the remedy is not with us. We look for it in the progressive improvement in arts and science, in a higher appreciation of man's destiny, in a less love for money, and a more ardent love for social happiness and intellectual superiority." [52]

Perhaps the real answer was in the boast of Nathan Appleton, prominent Massachusetts Whig manufacturer, in his article on cotton manufactures in the *Encyclopædia Americana*, that America could successfully export textiles because of the cheapness of the otherwise unemployed female labor.

Combinations of labor, of course, were viewed as undesirable. Daniel Webster in a forthright manner denounced labor organizations as "working in darkness" and striving to obtain for themselves by combination and concert advantages not enjoyed by other citizens of the republic.[53] The more urbane A. B. Johnson was willing to admit that labor was the most unprotected class as he undertook to defend New York's usury laws in the manner of Gilmer. A laborer possesses the theoretical power of locomotion and may, like money, seek the best market; but practically nothing is more difficult to move than labor. Besides his attachment to his customary habitat, a

man cannot move till he acquires spare capital to support him and his family on his journey.

A dependent status for labor is necessary if we would compete with foreign industry. Consequently any attempt by laborers to coerce concerted action among themselves with a view to control wages is deemed by law as criminal conspiracy. But labor's disadvantages will be mitigated if the usury laws are not eliminated, for the low rate of interest permits the employer to refrain from pressing labor to the utmost limits. The usury laws and the anti-combination measures rest on the same public policy, and if one is repealed the other ought to be.[54]

With the growth of the political importance of the workingman came a curious and confusing literature which intended to give the impression that it was prepared by as well as for workingmen. But generally it had other interests directly in mind. For instance, in Philadelphia in 1829 "a large meeting of workingmen and others" memorialized the Pennsylvania legislature not to charter additional banks. The "workingmen" declared that the "whole wealth of society depends on their exertions." A grave error prevails that a laborer could easily obtain a comfortable living, and that all the difficulties of the class consequently proceed from "our own indiscretion." But in most parts of the Union the laborer, despite the utmost diligence and frugality, can hardly save enough for a reserve against the day of distress. In fact, sufferings and wants are as severe and as widely extended in proportion to the number of inhabitants as in Europe. The cause is the excessive extension of paper credit through the creation of new banks by the legislature.

They based their objections to additional charters on the "axioms in political economy." To increase the amount of paper beyond the amount of specie that would ordinarily be used as a medium, raises prices; but wages do not rise so easily as commodities, hence every rise in prices is a reduction in wages. Furthermore, the rise of prices increases imports, with the result that many branches of domestic industry are depressed. Worse, this fictitious rise of prices is mistaken by many individuals for an increase of wealth, thus leading them into extravagant living. But only by saving can capital be accumulated, and capital is the funds from which labor is supported.

The desire to keep the greatest quantity of paper possible afloat by so many rival banks, subjects every bank to a run for specie; the threat of a run occasions a reduction of bank notes. The result is

bankruptcies in the "higher ranks" and the loss of back wages to labor.

The extension of the present banking and paper system leaves the public without a fixed standard of value. The alternate debasement and enhancement of the currency prevents calculations in business. No man knows how far the successive expansion and contraction of issues will extend, nor when they will occur. Hence capitalists hesitate to make investments, and consequently labor cannot find employment.

But the memorialists called for no sudden changes in the system. The existing banks must be endured as a necessary evil for ten or perhaps twenty years. Any attempt to get rid of the system without suitable preparation, such as letting the charters peacefully expire, would cause more misery than continuance for fifty years. Fulfillment of contracts would be impossible, all the relations of supply and demand would be deranged, capital would be unproductive, and labor would be deprived of employment. The remedy is not to charter additional banks.

That such a mélange of erudite explanations should come from "workingmen" might seem strange until one observes among the signatures to the memorial such names as Raguet and Gouge, both of whom apparently had a large hand in drawing it up. But, as the committee stated, "the meeting, under whose direction they acted, though consisting chiefly of mechanics," made no distinction of occupation but looked to the "common concern." [55]

It was such tactics that burdened the great mass of "labor" literature that began to make its appearance.

## CHAPTER XXIV

# The "Labor" Literature

THE American "labor" thinkers drew inspiration not only from good American traditional sources such as Jefferson, John Taylor, Barlow, and Paine, but also from the great literature of the varieties of socialism in Europe.

The great source of inspiration for most of the "laborite" literature was the work of Robert Owen. It came from both his writings and his educational, co-operative, and communistic experiments in Great Britain and his New Harmony, Indiana, project. His New Harmony experiment was short-lived. But from it came the leaders of various "labor" movements that attracted attention before the Civil War. Other sources of inspiration were such English writers as the well-to-do "Ricardian Socialist" William Thompson, Jeremy Bentham's radical disciple. Then there were continental writers who became a fad, such as Comte Henri de Saint-Simon, and more especially Charles Fourier, whose schemes found practical expression in the actual establishment of ill-fated phalanxes. Even Louis Blanc with his national workshops found supporters in the United States, especially among the Fourierites.

The importations of European socialism, like the importations of European conventional economics, were always modified in terms of the exigencies of the American scene.

### LANGTON BYLLESBY: RICARDIAN SOCIALIST

The first native treatise appears to have been *Observations on the Sources and Effects of Unequal Wealth*, which was written by the Pennsylvania printer, journalist and inventor, L. Byllesby (1791-1871). The book, however, was published in New York in 1826. He acknowledged a heavy indebtedness to Thompson and like Thompson saw in producers' co-operatives the salvation of labor. He regarded the "laborites" as independent artisans being strangled not only by the growth of machine production under the control of capitalists, but also by the capitalists' control of exchange and distribution.

Jefferson, he said, had stated the fundamental principle that every man has the natural right to life, liberty, and happiness; but the laboring mass is deprived of its rights and in effect rendered slaves through being defrauded of a substantial share of the product of its labor by existing institutional arrangements, or what he called the "arts of life," especially by inheritance, banking, and mercantile speculation.

Originally these arts worked for the welfare of man, but they became hardened into absolutes by becoming unchangeable customs. Thus money originally was not only a substitute for cumbrous barter, but a just store of value, for it was accepted by producers as evi-

dence of a debt owed by purchasers when the latter's own goods were not wanted at the moment in commerce. But with the use of money in trade and commerce, its possessor had the power to compel the needy to yield a good share of their labor, and thus of value.

Byllesby similarly treated inheritance, which to him meant essentially inheritance of land. Originally every man was secure in his plot, for justice and instinct pointed out that each should receive the reward of clearing and cultivating his plot, just as instinct tells men that they are entitled to the reward of their exertions in any endeavor. But this led to an absolute right in the property so that the holder could dispose of it by testament as he saw fit and even forever. Once this right was established, the enterprising and wary acquired the property of the less prosperous. With lands held in exclusive property, the mass must work at a bare subsistence, and the landowners get the surplus to live luxuriously without labor. This violates the "natural equality of rights" to acquire subsistence and property, and thus reduces wealth instead of augmenting it.

What seems to have bothered Byllesby most in connection with land was the high rents charged "mechanics" in the cities for particular locations. This, he said, arises from the existing system of competition in the production of necessaries and conveniences and the monopolizing of their distribution and exchange by great capitalists.

The greatest evil flowing from present arrangements is technological improvements. In the old days people died from disease and famine; today, said Byllesby, the paradox of overproduction "overwhelms a large portion of the laboring classes with remorseless distress," for operations must be suspended until consumption shall relieve the stock on hand. These technological improvements increase the value and power of wealth over labor in equal ratio with the decline in the price of goods, for they reduce the value of necessary labor. The workers themselves sign their death warrant, for they necessarily buy the cheap products.

With laborers competing with one another for employment at a bare subsistence, the result is a limitation of demand, and thus of production with its evils—that is, the competition curtails consumption, and should logically eventuate in the suppression of all production. This did not occur as yet because poor relief provides a "friction weight."

But Byllesby found insuperable objections to tampering with exist-

ing arrangements, except along lines which the orthodox economists and the financial community for the most part desired. Thus he was against usury laws because any interference with private contracts subjects the necessitous party to greater oppression in providing for the safety of both. He did offer the suggestion, but only as a suggestion, that the land of the dead might revert to the state, and the state in turn might make allotments to members of the rising generation as they reached maturity. But he disposed of this and similar "political" remedies by saying that it would be difficult to invent a suitable scheme that would meet universal approbation.

The real solution is not destruction of the prevailing "arts of life," but "concert and co-operation" to replace competition. This took the form of setting up voluntary associations of mechanics for "Securing Equal (or mutual) Advantages (or interests)." Members bought shares; and they could buy more than one with the stipulation that they must sell all but one to new members.

Such a concentrated association would eliminate the oppressive rents extracted from mechanics. Under the system of equalization, the rents of shops would fall to a value corresponding with the labor expended in building them. This would similarly bring down interest. In fact, if the associations become common, the only future for interest would be in the purchase of shares in the associations. Each association would fix wages "according to the average time required for the making of an article at something like the customary journeyman's wages," and the surplus would be divided among the shareholders.

Members inventing machines would get a reward proportionate to their value. The profits of the labor of apprentices would go to their instructors while learning their art, and for the remainder of the term of their apprenticeship half of their return would go toward their maintenance and the other half to the association. After an association operated for a year, applicants for membership would have a moderately good acquaintance with the principle branches of science and at least one language dead or living, in order to give distinction to the members.

At the same time, the association would inquire into the most effective method of ascertaining both the value of its labor, "as compared with the processes of other arts and with agriculture," and "the proportion of operatives in each mechanic or other art that will best comport with the free and general supply of all." Once these matters

are determined, "we will endeavor to adjust and conform ours and admit all others to an equality." Each association, in purchasing goods, would give a preference to other associations, whenever feasible, especially "where they will admit equal quantities of labor to balance each other."

The ease with which Byllesby could combine business promotion with a radical idiom is understandable in light of his anonymous satire attacking certain infringers of patents, *Patent Right Oppression Exposed* (1813). As the years passed, "Langton Byllesby, gent." replaced "L. Byllesby, printer" in the Philadelphia directories.

### LEADERS OF WORKING MEN'S PARTIES: THOMAS SKIDMORE, FRANCES WRIGHT, STEPHEN SIMPSON

Three years later Thomas Skidmore, New York "mechanic" and journalist, elaborated on Byllesby's ideas in his treatise, *The Rights of Man to Property!* Like Byllesby, he appealed to the "poor and middling class" to take steps to check the evils of overgrown wealth, the monopoly of land and banks, and restore free competition. He too used Jefferson as his gospel; but he proposed specifically that to the inalienable and equal rights of man to life, liberty, and happiness, be added "property"—that is, the equal right of every man to acquire property. Inheritance and other species of monopoly check the growth of wealth by making the mass despair of acquiring wealth, he said. Thus they grow indolent.

A constitutional convention should be called to provide that inheritance be abolished and estates of the dead always divided among those coming of age. But to allow the present generation to start equally in the race for wealth, all debts and claims of property should be canceled and all assets disposed of at a general auction in which each person would have equal purchasing power.

Since unrestrained competition is the ideal, the state, too, must give up all its lands and income-bearing assets. Some of the latter, notably the valuable salt lands, would require for efficient operation the associating together of a number of the successful bidders, but these associations could never be dangerous because they never could be acquired by sufficiently few to check competition. Similarly, banks and other corporations with limited liability should be allowed.

At the same time, Skidmore demanded the prohibition of competing foreign manufactures. Foreign competition, by reducing prices

below a just return for the producer, would destroy the benefits to the producer of the portion of capital he has been given with which to engage in business. This violates the social compact. In effect, when a man surrenders his right to the soil and becomes a laborer, society has made a contract with him to consume his goods. So if the southern cotton planters refuse to take domestic manufactures in place of cheaper foreign ones, society can rightly seize their plantations. A final plank in Skidmore's treatment was that, until they reach maturity and get a share of the property of the dead to start business, youth should be maintained in school.

This idea at the time formed the basic instrument for the salvation of the "workingmen" in the mind of Skidmore's temporary ally, the Scottish-born Frances Wright (1795–1852). She was one of the most remarkable characters of the period. Her father had been an intimate of Adam Smith, and she had sat at the feet of Bentham. She interested herself in all sorts of reforms, from the ending of slavery to equal rights for women.

Influenced considerably by her friend Owen's experiments, she started a colony with purchased slaves at Nashoba, Tennessee, to prove that slavery could be eliminated without financial loss to the masters. She felt that in such colonies under the control of a few enlightened whites, the slaves in the course of receiving an industrial training would in a few years repay the investment in the slaves, plus interest, and, thus prepared for freedom, could then be exported. However, the colony proved a failure. Meanwhile Frances Wright and Owen's son, Robert Dale, came to New York in 1829 with a new paper they had started at New Harmony, the *Free Enquirer*, to campaign for free compulsory education in the nature of industrial training as the solution of the ills of the "workingman."

Like the other radicals, she called on the people to awaken lest a moneyed aristocracy and a priestly hierarchy enslave the country for the exaltation of the few. "The present is . . . openly and acknowledgedly *a war of class*. . . . It is the ridden people of the earth who are struggling to throw from their backs the 'booted and spurred' riders whose legitimate title to starve as well as to work them to death will no longer pass current." [1] Workhouses are no solution, for they would merely glut an already unproductive market. Fixing minimum wages is impossible, and even if it were possible, the laborer as well as the employer would be damaged.

She agreed that technological advance at present only benefited the stock jobber, and if it were possible, it would be wise to suspend the advance for the present, for it befits a race more advanced in intelligence than ours. As a disciple, the Quaker Amos Gilbert, Pennsylvania schoolmaster and editor of the *Inciter* and other journals, put it, canals, railroads, and labor-saving machinery can be blessings only to an intelligent people. Aristocratical monopoly always results when general mental cultivation does not precede mechanical improvement as exemplified in the manufactories of Europe where thousands of first-rate artisans possess little knowledge, except to handle the tools of their profession. They do not even know that ignorance of the natural equality of human beings continued through successive ages is the cause of their privations and degradations and that they themselves are only a "part of the labour-saving machinery of monopolizing capitalists." [2]

Therefore the remedy is general education. Wright proposed free compulsory education for all until manhood. Tuition is not only to be free, but the children of the rich as well as the poor must attend and live at these free schools, for common living infuses a common democratic basis and will repress the desire for exclusive charters and privileges. Such a scheme of "national republican education" would give meaning to Jefferson's inalienable rights of man, for youth would acquire habits of healthy industry and be trained as equals to understand and exercise those rights.

Under her scheme the children were to begin school at the age of two and continue until sixteen or longer if desirable. The schooling was to be primarily training for industry. The financial support was a double tax, one on wealth and the other to be paid by every parent on every child, until the age "when juvenile labour should be found, on the average, equivalent to the educational expenses." This tax was to be a universal tax in order to inculcate forethought "especially in young persons, who before they assumed the responsibility of parents, would estimate their fitness to meet it." [3]

Skidmore and Wright joined forces that same year to promote the Working Men's Party. The ideal was: "All children are entitled to equal education; all adults to equal property; and all mankind to equal privileges." The first, however, must wait, they held, until the third was achieved.

up all over the state, and a state convention was even held. As one shrewd observer of the day noticed, the party consisted "as well of

merchants, lawyers, physicians, and speculators, as of operatives under the cognomen of *working men.* They professed opposition to the monopoly of banks and bank paper although you might . . . perceive bank directors, clerks, and cashiers figuring in their ranks." [4] But then, as one of the leaders said, the term "working men" included not merely the manual laborer, but every man who earned his bread by *useful* exertion whether mental or physical.[5] Soon the party was split into the Skidmore and Wright factions among others. The respectable were constantly denouncing "Fanny" Wright for agrarianism, atheism, infidelity, abolitionism, and race amalgamation. But she, along with the respectable, denounced the "agrarianism" of Skidmore. She was for letting the future generations, properly trained in "equal rights," decide "how their property shall be inherited and divided."

Her disciple, Amos Gilbert, agreed, he said, with Skidmore's objective but dissented as to the method: Skidmore thinks if means were equal, education would be universal; we think if right education were universal, means would be equal.

Skidmore's scheme, he continued, is unjust because it compels the industrious to share the fruit of their labor. True, wealth is only the product of labor, and the great mass of it is monopolized by those who labor not, and its creators are robbed by a mere legal tenure, yet this legal tenure "will be exercised until men are instructed in knowledge, morality, and the fraternal relation, better than heretofore." Furthermore, there is greater difficulty in imparting right views on the subject to "those whose pecuniary circumstances are below mediocrity, than to those . . . above it." [6]

Right education to secure equality outside of "industrial education" seemed to the group to consist in birth control, as evidenced by the publication by Robert Dale Owen of *Moral Physiology* in 1831. This would raise the workers' wages, Owen maintained, as did some orthodox leaders of economics in England.

Skidmore, on the other hand, started a short-lived newspaper of his own, the *Friend of Equal Rights,* promoted the "New York Association for the Gratuitous Distribution of Discussions on Political Economy" to issue sound writings which consisted of his one pamphlet item, *Political Essays,* and to sponsor meetings to set up candidates for the ensuing elections. Throwing in Locke and Blackstone as additional authorities, he appealed to the wealthy as well as the poor and middle class to support his views. He denounced the

Wright "guardian" school method as destroying family ties and declared that education cannot be equalized until the "condition" of the adults is equalized. In answer to Owen he wrote *Moral Physiology Exposed and Refuted* (1831). He maintained that the greater the population, the greater the market and the division of labor so that goods can be produced more cheaply. Perhaps most significant was his assertion that children, instead of being treated as a species of property reared for profit, should be treated as equal but young fellow citizens.

The outstanding leaders soon disappeared. Skidmore died in 1832. Frances Wright went to Europe for what turned out to be a five-year visit. Owen returned to Indiana, where he became a power in the Democratic Party and supported the prohibition of Negroes and mulattoes from settling or purchasing real estate.

In Philadelphia there also arose a Working Men's Party which, like its New York counterpart, could hardly be said to be composed of mere laborers. Its intellectual leader was Stephen Simpson (1789–1854) whom admirers appropriately called the "American Cobbett."

Simpson's father, George Simpson, had held the important position of cashier of the Bank of North America, the first Bank of the United States, and Girard's bank. The son, too, seemed embarked on a promising banking career as note clerk for the second Bank of the United States shortly after its establishment. But his job did not last long, and he returned to his earlier and precarious profession of journalist, which was, of course, tied up with office-seeking.

He started many short-lived organs. He was among the first to support the presidential aspirations of Jackson, under whom he had served at the Battle of New Orleans. In 1830, while a clerk in Girard's establishment, he ran for Congress as the candidate of the "Federal Republican" faction in Pennsylvania which, like other Jackson parties in Pennsylvania, had a National Republican platform. At the same time the Working Men's Party supported his candidacy on the ground that he favored a system of general education. But his "new theory of political economy" for the workingmen, which he issued shortly after his defeat, turned out to be National Republican.

Like the others, Simpson dedicated his book, *The Working Man's Manual: A New Theory of Political Economy* (1831), to Jefferson for his Declaration of Independence and cited the wisdom of John

Taylor in distinguishing between the division of property by industry or labor and division by law. He concluded by supporting Hamilton's program.

Simpson began by attacking the state banks as parasites on labor. The chartered state banks are in effect combinations of capitalists to monopolize the means of commanding the product of labor at their price, he declared. By refusing accommodations to the industrious and forcing them to pay usurious interest for loans to a capitalist or bank director in his private capacity, they have created a moneyed aristocracy which intercepts a share of labor's wages.

But the banks should not be eliminated. They are useful to trade to the extent that they put into activity the capital of the nation. The national bank prevents them from acting viciously. Under the liberal enlightened management of Biddle, the stockholders get increased dividends and the government and the community are maintained in a prosperous condition. The bank is not a dangerous moneyed aristocracy, for it is owned by four thousand shareholders of all occupations and conditions. The capital is managed by twenty-five directors annually changed according to the republican principle of "rotation in office." The capital is loaned to merchants, farmers, traders, and manufacturers throughout the Union to stimulate commerce, trade, and manufactures. The question is not whether the bank contains an abstract principle of monopoly, but whether the property of the citizens is safe without this check on the excessive issues of state banks. If the bank is demolished, laborers will be the greatest sufferers because, instead of being paid in a stable currency, they will be paid in depreciated bank notes.

The argument that the Constitution does not specifically provide for a bank has already been met by Hamilton's "brilliant discussion" of implied powers. Even if the Constitution had specifically prohibited a national bank, this in itself should not prohibit its creation, for the progressive development of a country may influence the Constitution to conform to its altered relations. A constitution adopted when the country had only 3,000,000 people was not adopted to fit a country of 24,000,000. The notion of the sovereignty of the people demands a practical substantive ever-existent constitution, with practice not violating the theory but improving and perfecting it. Similarly, a protective tariff, so ably vindicated by Hamilton's brilliant *Report on Manufactures*, has a dubious constitutional authority, but by common consent it is engrafted on the common organic law.

Usury laws are reprehensible. Since it is labor that is in reality borrowed, the owner has the right to obtain the highest price; and, if unshackled by law, competition will prevent extortion because idle capitalists, being dependent for subsistence and luxuries on the labor of the borrower, will lend on reasonable terms. Likewise rent should be left to regulate itself, for rent is the return of capital in the form of land. On the other hand, poor houses are bad because they ostentatiously pamper at public cost people little superior to felons. This and other features we have borrowed from England, where the spirit of feudalism is dominant. While labor there has nominal liberty, it is in reality the liberty to famish. All the more should we refuse to be guided by European economists headed by Say, for they are unconsciously imbued with the feudal atmosphere.

Simpson had no objection to the basic principles of European economics, such as that wages are regulated by supply and demand and by the contingencies of seasons and markets. Poverty would be cured by education, he declared. Ignorance leads to vice, lack of ambition, and such bitter hatred of the wealthy that the commonwealth is in effect split into two warring nations.

But if the laborers have an education, they will be stimulated to acquisition, to excel in whatever brings applause; and above all they will acquire polished manners. The lack of good breeding has been the chief cause of their inability to rise, for it prevents them from associating with the wealthy. The contempt of the wealthy and educated is not for the occupation of the poor, but for their ignorance. This is evidenced by the fact that when a vigorous intellect bursts the bonds of ignorance in the contemned class, it is immediately merged into the higher and cultivated class, and soon obtains respect.

At the same time, as a member, though an unimportant member, of the clique supporting the national bank and fighting Jackson's reelection, Simpson started the *Pennsylvania Whig*. Like so many such party organs, it was short-lived. It began in August 1831 and expired on the eve of the 1832 election. But it lasted long enough for Jackson to list as evidence of corruption of the press by the bank, the bank's twenty-six subscriptions to the paper.[7]

Simpson next achieved prominence with another movement that more directly combined banking with uplift of labor. He and a well-known patent and family medicine vender, Dr. Thomas W. Dyott, established in 1836 the notorious "Savings Fund" in Philadelphia. The promoters stated that the bank was intended to afford

a safe depository for the savings of labor. They would take deposits up to a total amount of $500,000 and would protect the depositors by real-estate security to that amount. No other institution possesses such adequate security, they said; and no other institution gives 6 per cent. But the motive of the bank, they added, is to give the "meritorious workman the full legal interest which he ought always to obtain from his savings."

Naturally the bank issued notes, but their denomination was as low as five cents. When complaints were made in the press that the bank refused to redeem its notes, the promoters reported that a "combination of interests inimical to *individual enterprise*" has caused a run on the bank and somewhat shaken public confidence in it. Time will be required for resumption, but meanwhile note holders can deposit them and receive legal interest or use them to purchase at par in certain shops. Redemption dates were often announced in the press, but apparently postponed; in fact, the press commented: "Some mystery seems always to follow these shinplasters as if it were their shadows." In 1839 Dyott was sentenced to three years in jail for conspiracy to defraud.[8] Simpson was charged with the same offense, but he appears to have gone free.

The following year, 1840, Simpson wrote his good friend and Jackson leader, Senator James Buchanan, that he had always really been a supporter of Jackson; that he had been among the first to attack the Bank of the United States, and that he was the first to support the sub-treasury system. All he wanted for his great services in the past, he informed Buchanan, was a job paying $1500–$1800 in order to support his growing family.[9] For these varying positions on banking there was some basis in fact in Simpson's chequered career in journalism. As Buchanan grew more powerful, Simpson's fortunes prospered.

New England, too, had a flurry of the Working Men's parties in the early Jackson period, and they were perhaps even more ambiguous than the others. At the Charlestown, Massachusetts, Lyceum, aristocratic Edward Everett somewhat gratuitously warned the Working Men's Party that capital is essential to labor; that they are making an unwarranted distinction between those who labor with their heads as against those who labor with their hands. This land knows no class distinction; both types are "working men and gentlemen."[10]

He was unnecessarily concerned, for as a Delaware labor organ put it in regard to a local labor ticket: "Very few of the names on

the working men's ticket belong to *the society of working men;* but they are all known to be friendly to the cause and views of the *working men.*" [11]

The Working Men's parties died out at least temporarily with the re-election of Jackson.

## NON-POLITICAL REFORMERS: WILLIAM MACLURE, THEODORE SEDGWICK II

Along another line William Maclure (1763–1840) pushed the educational ideal to the limit.[12] He was a Britisher of Scottish birth who made a fortune in the American trade, then settled in the United States to spend his days in geological research and amelioration of the conditions of labor. He had joined with Owen to promote the New Harmony colony and was intended to be the main leader in the educational experiments. He brought along a "boatload of knowledge" in the form of experimenters in industrial education. Though he soon broke with Owen, he continued to support his own Workingmen's Institute in the settlement. From Mexico, where he later went to start agricultural colonies, he continued to tell the American public how to solve labor's problems.

Maclure denounced Ricardo and his school for being metaphysical, and above all for having contrived a complex theory for the convenience of the "cunning few" and the rulers of church and state. According to their scheme, he said, neither rents nor tithes nor taxes, which are really rents to church and state, enter into the value of agricultural products or increase their prices, for they are not wages or profits. Consequently the gentlemen, landowners, priests, politicians, can revel in luxury without feeling that they oppress the producers, including those who have capital. The country needs a new political economy which will impress on the people that they must prevent their rulers from interfering with the production and distribution of individual riches—in other words, with individual enterprise. Not only should no special privileges be granted, but also no public works should be undertaken by the state.

The new political economy would teach that the Union should be a federation of autonomous communities, sufficiently small so that the individuals can see how the taxes drawn from their pockets are spent. Industrial education would be the prime mover in giving to labor its product, for this would bring about relative equality of property

and knowledge, and diffusion of knowledge would impress on the people the inequity of granting privileges and monopolies. At the same time, with all unjust monopolizing charters, laws, and regulations eliminated, slavery would also end, for then free labor could effectively compete with slave labor and would beat it.

Laborers should not turn to labor unions because even organized laborers must wage an unequal contest against the monopolists to raise their pay. Therefore they should establish autonomous small communities comprising all kinds of producers. It would not be in the nature of Owen's communism, where the industrious maintain the idle; but it would be a system where everyone would enjoy the fruits of his labor with the advantage of an assured market. Made up of the producers as against mere idle consumers, they would conform rather closely to the distinction made by "Adam Smith and other political economists" between productive and non-productive employments.[13]

The wealthy Theodore Sedgwick (1780–1839) also professed great sympathy for labor's aspirations and proposed that the road to betterment was through education. He was the son of the famous and ardent Federalist supporter of Hamilton of the same name. After graduating from the Yale of President Dwight in 1798, Theodore Sedgwick began practicing law in Albany about the turn of the century.

Like his father, Sedgwick sided with the Hartford Convention group and in a public address in Albany declared: "We have no confidence in the talents and patriotism of the present Administration." [14] With the Federalists a discredited party, and with his health ostensibly in "bad shape," Sedgwick after the war returned to the family residence in the Berkshires in Massachusetts.

But it was not long before he was active again in politics. He was now quite an ardent Jeffersonian and, what is more, a "radical" Jackson leader in Massachusetts. At the same time, he became a promoter of railroads and of expansion of lower education as the instruments for achieving equal rights for all.

In 1826 he informed the public that J. B. Say's was not the book for the people of America, and he wished "that we had . . . a popular work on *American Political Economy* written expressly for the people." [15] In 1836 he undertook to supply the need by publishing in installments his *Public and Private Economy* (1836–1839), illustrated with observations from his recent European trip. Like McVickar's

*Outlines*, it was dedicated to Wadsworth for his subsidies and efforts to inculcate the people with proper principles of political economy, which Sedgwick held were simply common sense. The purpose of the book, he said, is to show the laboring classes the value of property and wealth, and how it may be acquired.

The most remarkable feature of the present day, he wrote, is the elevation of the laboring classes. The laborer's position is much better in the United States than in Europe. But much poverty still exists, especially among many settlers, farmers, immigrants, journeymen, and mechanics. In the factories the "hirelings" do not have the most ideal life. There is the oppression of company stores, the terrible housing conditions, the long hours for women and children. Employers of course try to get labor as cheaply as possible and generally succeed in depriving labor of a good share of its fruits.

But the wretchedness of the working people is their own fault. Attempting to follow the fashions of those who are ten or a hundred times richer than themselves, they spend a large portion of their property and wages upon gewgaws, short-lived gaudy finery, and especially low sensuality, such as expensive eating and drinking, which either enfeebles or destroys their working faculties.

If they took the funds they otherwise waste and placed them in either savings banks or acquired property, they would be in a position to prevent the oppression of employers. "Let the working people then, whenever they combine, as they have a right and ought to do for all worthy purposes, proclaim temperance as their watchword, and mutual respect for each other's virtue as the law of their order."

The foundation of higher and lower classes, however, is ordained by nature and Providence. The difference depends on the amount of mental labor put forth. "If one man has more knowledge than another, he will be greater and more powerful" because he will get more property. People can raise themselves only by the acquisition of property, virtue, and education. But property gives the means of education, which in turn creates property. When industrious, virtuous young men rise, it is nine times in ten by husbanding their wages and thus furnishing them with a capital for a higher and larger business.

He denounced squatters on the public lands. Originally when the Indians were to be feared it was expedient to allow squatters to occupy the public lands in order to settle the country, but now the Indians are being removed. The lands are intended for the poorer and least fortunate people, who should be able by industrious labor to

acquire the price of land at $1.25 an acre. Therefore the present policy of allowing squatters' claims deprives individuals of the happiness from property honestly acquired. Certainly "no good and honest man will seize upon property belonging to another."

Meanwhile, in 1835 Sedgwick's son helped promote in New York what became the most prominent of the Working Men's parties of the era, the famous Loco-Focos.

### THE LOCO-FOCOS: CLINTON ROOSEVELT, WILLIAM LEGGETT, JOHN VETHAKE

The leaders were supporters of Jackson, and their aim was primarily to obtain the adoption of the McVickar program of free banking under the name of equal rights and anti-monopoly. The program included the abolition of small denomination bank notes, usury laws, and the New York Restraining Act which forbade the functions of deposit and discount to other than the chartered banks, and of course it demanded a general incorporation act for banking.

The leading theorist of this development was the Whig Clinton Roosevelt (1804–1898). He was a member of the powerful Roosevelt clan. He had been influenced somewhat by Frances Wright and had a mind "fertile either to construct systems, mechanical machines, or literary matter." [16] He loved to denounce the "individualism" of the British school of economics, but he managed to reach the same conclusions they did. In 1833 he wrote a short treatise, *The Mode of Protecting Domestic Industry, Consistently with the Desires Both of the South and the North, by Operating on the Currency*, in which he held that if there were free banking and no small notes, prices would be sufficiently low to give protection to northern manufactures without the need of a high tariff. He did not want all paper abolished, but he did want its potentialities for creating periods of inflation and panics crushed. The banks, he said, make money scarce, and the fear of sudden curtailment causes merchants to be slaves of the banks.

Roosevelt did not hope for permanent good except from a radical change in several great points of government. "The science of government, however, is in its infancy and perhaps it is too metaphysical to meet with acceptance, except in a political university—an institution which does not exist in America." But a step in the right direction would be the formation of a party to put down the "banking system."

Elected to the legislature in 1835, he demanded the prohibition of

small notes and the restoration to individuals and incorporated societies, including limited partnerships, of their natural rights to "free banking." [17]

More prominent as the first public leader of the Loco-Focos was William Leggett (1802–1839), the journalist associated with William Cullen Bryant in the *New York Evening Post* which Hamilton had founded but which was now a Jackson organ. Leggett moved in the best of society. In accordance with the familiar Jackson rhetoric, Leggett spoke of his group as the "friends of equal rights," seeking to free the laboring class from the oppression of the aristocratic-minded monopolists. The Democratic Party of the North, he wrote, is composed primarily of the laboring class; of course, the laboring class includes those who work with their heads as well as those who work with their hands.

Leggett started with the proposition that the great end of "the champions of democratic and economic truth is to institute the natural system." They should aim to simplify government and confine it to the mere protection of men from mutual aggression. Only a few laws are needed to accomplish this, especially in trade. There is no need of political interference, whether in the form of exclusive charters, high tariffs, or public inspection acts.

Legislative charters are procured chiefly by the rich and for the rich, but a general act of incorporation along McVickar's lines "would be the very measure to enable poor men to compete with rich." But the vested rights of existing corporations are not to be touched until the period to which they have been extended by law expired.

Leggett bitterly opposed a measure to forbid the use of credit in stock-exchange operations. Such an act would merely benefit the more wealthy operators, and thus "make a concession to the spirit of aristocracy." The business of dealing in stocks is as respectable and useful as most others. Stock gambling, like any other gambling, is bad, of course; but the evil arises from legislative interference with the laws of trade.

In the same direct manner he informed the South early in 1835 that the members of the Democratic Party in the North are neither "agrarian, nor fanatic, nor hypocritical." They have always supported the southern policy because they realize that admitting slaves to an equality of civil and social rights would injure them. The laboring

classes know that the emancipated slaves would flock North, throw the northern laborers out of employment or "at least depreciate the value of labour." Therefore the northerners will not approve of any scheme of emancipation which does not "both receive the sanction and preserve the rights of the planters of the South, and at the same time secure the democracy of the North against the injurious, if not fatal, consequences of a competition with the labour of millions of manumitted slaves." [18] Naturally, aristocracy is on the side of abolition, for as employers they have an interest in depressing the price of labor.

But Leggett's ire was aroused when Jackson's Postmaster General approved the action of southern postmasters in destroying "abolitionist" literature sent through the mails. Leggett's attack on the Postmaster General brought down on his head the wrath of the national and somewhat official organ of the Jackson Administration, the Washington *Globe*. It accused the *Post* of having made continued warfare on the "settled principles of the Democracy." On the tariff, the *Post* is for free trade, "without reference to the policy of other nations." On banks, it takes no account of the actual condition of things in the country, but in effect demands a "universal and immediate annihilation." The spirit of "agrarianism is perceivable in all the political views of the Editor, and he appears to be inclined to legislate altogether upon abstractions." This attack on the Postmaster General is the final straw which must forever separate Leggett from the Democratic Party, the *Globe* concluded.[19]

Leggett was naturally incensed at the absurd charges of being abolitionist and agrarian and asserted that the *Post's* economic proposals were the kind that all sound Jacksonians espoused.[20] The Leggett group claimed that Tammany Hall, the citadel of the regular democracy, was now dominated by bankers constantly seeking new bank charters or legislative sanction to increase the capital of their banks.

The person who gave the movement great publicity was a more flamboyant figure, John Vethake, M.D. He was described by a fellow member of the group as possessing "a very philosophic mind, and fertile in what are called 'abstractions' in religion, politics, and social organization." [21] He was a man of highly respectable parentage. His brother, Henry Vethake, was a professor at the University of Pennsylvania. He had written some speculative papers in medicine. He had been a lecturer of chemistry in 1827 at Dickinson College, where he

received at the same time an M.A. degree. Then he taught chemistry for a year at a medical school in Baltimore, a newly established branch of Washington College, Pennsylvania (now Washington and Jefferson College). Three years later he appeared as editor of the short-lived *Poughkeepsie* [New York] *Anti-Mason* which, like most "anti-masonic" organs, appeared to be devoted less to denouncing the Masons than to fighting Jackson in behalf of Clay.

Late in 1835 Dr. Vethake issued a pamphlet which was duly reprinted in the *Post*, an unsigned manifesto of the "Anti-Monopoly Democrats," called *The Doctrine of Anti-Monopoly in an Address to the Democracy of the City of New York.* It contained a heated denunciation of chartered corporations and monopolies. The author favored the abolition of the restraining law and of small notes, and insisted on a general incorporation clause "regulated by such provisions as careful inquiry and practical experience may point out." Without such a law the suspension of special charters would prevent any business requiring large capital.[22]

There was one "heresy" in the Vethake manifesto which the dominant Leggett group quickly disposed of. Vethake argued that internal improvements should be undertaken by government and not by private companies. But Leggett's wealthy friend and biographer, Theodore Sedgwick, the son of the railroad promoter and economist of the same name, declared that this view of internal improvements is contrary to American sentiment. Using the pen name of "Veto" to show his great admiration for Jackson's veto of the bank and internal improvement measures, he declared that railroads, turnpikes, bridges, and the like, require exclusive charters for their construction because of the necessity of acquiring land by eminent domain. "Veto" declared in *What Is Monopoly?* that the anti-monopolists must confine their attention to banks and demand repeal of the Restraining Act.

The anti-monopoly Jeffersonian Democrats got together with Leggett's blessing and selected Vethake for the Assembly among others to be presented for the Democratic Party nominations at the regular meeting at Tammany Hall. The regular Democratic organ, the *New York Times*, recalled that Vethake, when a newspaper editor, had opposed the re-election of Jackson. A writer in the *Post* replied that Vethake had been "temporarily deceived into the Anti-Masonic party through an over-ardent attachment to the great principle of equal rights"; but now he was a sound "anti-bank man." [23]

At the Tammany meeting the "regulars," being a minority, decided

to end the meeting by turning off the lights; whereupon the Vethake group used the new sulphur matches, called Loco-Focos—which gave the group its historic name. The Tammany regulars claimed the nominations. The anti-monopolists, calling themselves the "Equal Rights Democracy," presented a separate ticket. After Leggett refused the party's nomination for mayor, it was given to Skidmore's old associate, Colonel Alexander Ming.

The party lost the election, but it showed great promise and in 1836 developed into a state party of "farmers, mechanics and workingmen and others friendly to their views." As candidate for governor they sought the powerful state Democratic leader and loyal lieutenant of Van Buren, Colonel Samuel Young. He was a stockholder in banks as well as other enterprises, including railroads. In 1831–1832, in the controversy over the Bank of the United States, he had denied that the bank was necessary to prevent excessive issues by state banks. He claimed that none of the standard political economists, including Ricardo, had ever declared that specie could be degraded by paper; on the contrary, these men had supported the view that state banks can never overissue because of the universal world demand for specie. True, the banks suspended during the war, but that was to prevent the drain of specie to rebellious New England for smuggled goods.[24] Now he was denouncing banks of issue—that is, new ones. Young refused the nomination on the ground that he wanted no split in the Democratic Party, but he approved their views in general. A repeal of the usury laws and restraining laws, a proper limit of bank issues, and an exclusion from circulation of all bills under twenty dollars would "in a great measure, if not entirely, prevent the contractions and expansions—those sudden fluctuations in prices and that demoralizing mania of speculation with which the community has been scourged."

The man who accepted the nomination, the Buffalo merchant Isaac S. Smith, declared that the term "paper money" was an absurdity, and he would therefore sanction only specie as a circulating medium. But bankers' notes of large denomination and bills of exchange, which must exist, he said, "cannot come within my definition of circulating medium. My creed is to leave commercial men to manage their own affairs."

For Congress and the legislature, the Loco-Focos nominated candidates who had the support of either of the two leading regular parties.

They nominated for Congress another Van Buren lieutenant, Cambreleng, who was also the regular Tammany candidate. In 1821 he had defended the banks against the attacks of what he called "ignorant westerners." Now, in the *Post* under the signature of "Vox Populi," he supported the general program of the "Friends of Equal Rights"; and they in turn declared that he was the ablest member of Congress from the city and "fully comprehended its commercial interests and faithfully attended to them." [25]

They also supported for Congress another regular Democrat, James Monroe, president of the Saratoga and Schenectady Railroad. With Young and Cambreleng among its influential promoters, the company obtained a charter in 1831 containing no restrictions as to rates and profits. Young's hometown newspaper stated with pride in 1832 that the price of the stock had risen 17 per cent, and its profits promised to be 35 per cent annually.[26]

In 1834, in behalf of the company, Monroe presented a protest to the Assembly against the granting of a charter to the Ballston and Washington Railroad, part of whose route lay along the company's lines between Saratoga Springs and Ballston Spa. Monroe complained that the act infringed the charter granted his company. Its charter, like all charters, he said, is a contract between the state and the company; and the promoters would not have hazarded their funds in such a new enterprise if they had not felt that "they were protected against the competition." [27]

Such views naturally did not prevent Monroe from accepting the nomination of the anti-monopoly party, which, he declared, insisted upon "a strict construction of the Constitution . . . and the full benefit of the guarantee, for all the rights established by the fundamental law of the land."

For the New York Assembly the Loco-Focos gave whole-hearted support to Roosevelt, who also had the Whig nomination. Though he has some eccentricities, he comprehends the "banking system so fully, that he is necessarily one of its oldest and most determined foes."

Having split the party and lost some seats for the Democratic Party, the Loco-Focos were naturally berated by the regular Democratic organs as agrarians and "Jack Cades." But they were loyal to Jackson, and as early as 1835 Leggett had come out for Van Buren as Democratic candidate for President.

As the Whigs bitterly attacked Jackson's specie circular in 1836,

the Loco-Focos, led by Leggett, informed the "workingmen" to use the great instrument of the right of the poor, "*associated effort*," to eliminate the notes of distant and suspect banks by which their employers attempt to cheat laborers of a just share of the fund of their labor.

With complaints being made of the high price of food, the Loco-Focos issued a manifesto in February 1837, declaring that food and fuel prices would fall if the workingmen refused paper money for their services or demanded immediate redemption of the notes from the banks. They called a great mass meeting in the city to support their demand that the legislature speedily prohibit all bank notes under a hundred dollars, abrogate all inspectorships over articles of commerce, and repeal all laws whereby the Common Council of the city restrained or prohibited the freedom of trade.

Shortly after the meeting people broke into warehouses containing huge stocks of flour. The Loco-Focos were accused by the regulars of having incited the mob to the action, but they indignantly denied the charge. And Leggett at least made clear in the course of the controversy that labor combinations, except those seeking to achieve the purposes of the Loco-Foco leaders, were vicious and not seeking intrinsically good ends.

The riots against the flour dealers, he found beyond question, was caused by some of the numerous associations of artisans and laborers affiliated under the general name of Trade Union. Of all combinations this kind is the most reprehensible, for it seeks to monopolize the first necessity of man, labor, to compel capital to pay whatever price the union chooses to exact.

At the same time, another Loco-Foco manifesto, prepared by John Hale Hunt, whose brother was later a Whig member in the Assembly, stated that in order to end the banking system and the whole power of false capital, the laws ought to be altered so that all future debts "be simply debts of honour, and thus give the advantages of credit to honest industry, instead of allowing those advantages to be monopolized by those best skilled in grinding the poor." [28]

Under the impact of panic and depression, the legislature lifted the Restraining Act and passed a "free banking act" along McVickar's line with the support of all parties and of powerful financial interests. It provided that associations with a minimum capital of $100,000 could engage in banking and issue notes by depositing with a state

official 100 per cent security for the notes. Up to one-half of the security could consist of real-estate mortgages, the remainder of federal and state bonds.

Indeed, the respectable *New York Journal of Commerce* declared that now was the opportunity to establish a great national bank in New York. After all, the "Bank of England, incomparably the most powerful money machine in the world, has even more than its whole capital permanently invested. Its credit is the mighty power with which it controls everything." [29] And Raguet declared that with a free banking law in every state, and the national bank in New York to curb overissues, the ideal banking system would be achieved.[30] The Whig Hildreth at the same time called on Massachusetts to follow New York's lead.[31]

Meanwhile the Loco-Foco leaders, after denouncing the suspension of specie payments in 1837 as impairment of contracts, rejoined the Tammany Hall Democrats to fight together for Van Buren's independent treasury. Whigs throughout the country began denouncing sub-treasury as a vicious Loco-Foco measure and labeling all supporters as Loco-Focos—better still, Loco-Foco Federalists. By that time the respectable national leaders of the Democrats, including Calhoun and Benton, were saying that the Loco-Focos had true Jackson democratic principles, and they were proud to be considered Loco-Focos. Leggett was even given a consular appointment by Van Buren, ostensibly to help him recover from an illness.

Frances Wright returned just in time to join old associates in supporting Van Buren. Jackson, she said, by vetoing the recharter of the Bank of the United States, had started the process of freeing America from enslavement to the Bank of England and to the omnipotent Parliament of Great Britain as the source of that financial power which was stronger than thrones or republics and "convulsed the world at pleasure and robbed all the fortunes and industry of the earth under the pretence of aiding them." Van Buren's sub-treasury scheme would break completely the dependence of America on Europe and give the American people the opportunity to establish government policy in accordance with the principles of '76.[32]

Samuel Young exclaimed in a campaign address in 1840: It has always been one of the arts of federalism to address itself most strongly to human cupidity. In Jefferson's day lugubrious speeches were made bewailing the departure of "the *golden* days of commercial prosper-

ity." The same false charges are now being made against the government, "occasioned by the modern Whig discovery that gold is a humbug and 'paper' is therefore substituted for 'golden.' "

After the defeat of Van Buren, Young bewailed the despotism of the mass. Just as the Whigs admired Alexis de Tocqueville's anti-Jackson *Democracy in America* for attributing even the doctrine of nullification and the attacks on the national bank to the "tyranny of the majority," so now Young found it the highest source of political wisdom. According to "the learned and philosophic De Tocqueville, this is the country, of all others, where public opinion is the most dictatorial and despotic. Like a spoiled child, it has been indulged, flattered and caressed by interested *sycophants* until its capriciousness and tyranny are boundless." [33]

Clinton Roosevelt, after the election, presented in his *The Science of Government Founded on Natural Law* (1841) an authoritarian system of industry "as perfect as the operations of an army in which each officer and man knows what to do." Then he attempted to convince the American Association for the Advancement of Science, of which he was a fellow, to create a division of economics and pursue his views on money and the viciousness of *laissez faire*. He informed the membership that a given amount of money represents a given amount of goods by prices dependent on the amount of labor it would cost to produce the like, as a general rule. Therefore prices must fall as the amount of goods increases by machinery. This destroys the manufacturers' inducement to continue employing labor. The effect is the same as that achieved by banks contracting loans and discounts. This is the source of the paradox termed excessive production and population. The money to represent the new goods does not increase with the increase of manufactured goods. Paper money cannot supply the deficiency because banks do business only to make dividends and prefer to "let things regulate themselves." The banking system renders us an importing nation much in debt despite every natural advantage to export. The net result is that we become dependent on the financial and political power of England through the loss of specie and curtailment of loans by banks to obtain usurious rates of interest. In the meantime what ought to be a regular business becomes more hazardous than a game of chance.

The remedy is for the calm, reasonable, learned minds that comprise the Association to establish an "ontological department for the

discussion and establishment of general principles of political economy and government." [34]

### ORESTES A. BROWNSON: CHRISTIAN SOCIALIST

Loco-Focos' most "radical" and most important self-appointed intellectual guide to the "workingman" in the later phase of the movement was the New Englander Orestes A. Brownson (1803–1876), who looked to Saint-Simon for his theory of socialism and to Calhoun for his concrete working philosophy.[35] Brownson came of humble Vermont parentage. For a while he earned a precarious living as a minister of the anti-Calvinist Universalist Church, and as an editor of a church organ. In 1829, influenced by the personality of Wright and doubtless by the potentialities of a successful Working Men's Party, he joined her group. But in 1830, in the general split of the party, he concluded, so he wrote later in *The Convert* (1857), that since money will always win over labor the only way to ameliorate the condition of the workingman is to have all the classes co-operate in efforts for the workingmen's cause.

He became a Unitarian minister and in 1836 accepted the invitation of leaders of that faith to come to Boston to preach to the laboring class and win back agnostics to the true faith. Brownson joined the ever-increasing number of Boston intellectuals led by Bancroft, who were beginning to find that the dominant Democratic Party was the party of Christianity and progress. His faith in that party was not diminished when, thanks to Bancroft, who was then collector of customs in Boston, he was given the stewardship of the United States Marine Hospital at Chelsea in 1838. The job required little work but gave him an additional income and time to help the party.

From beginning to end, he followed Calhoun's philosophy and states' rights position with a vengeance, whether on slavery or the tariff. At all times he denounced the doctrine of the sovereignty of the people because it means "democratic absolutism," the despotism of the majority; whereas sovereignty resides in justice which, for all practical purposes, is above the people's will. But "justice" turned out to mean to him no interference with existing arrangements in the sense that these institutions embodied effective justice.

He believed in reform, so he said; but the reforms must arise spontaneously—that is, the reforms possible in a country are prede-

termined by the geographical position, the productions of its soil, and the genius of its people and of its existing institutions. All reforms must be restricted to clearing away anomalies and developing already admitted principles.[36] A revolution is legitimate if the institutions of the country no longer bear any relation to the prevailing habits of thought and sentiments and have become a useless, offensive carcass; but America's institutions are young, full of life and future. Therefore we cannot tolerate innovations touching fundamental laws.

On the platform and in his journals, he at first did valiant service in appealing to the workingmen to support the Democratic Party and the sub-treasury system. He charged the Whigs with being the party of the oppressive capitalists. This reached its climax in the bitter presidential campaign in the depression year of 1840 when the Whigs appealed to the "workingmen" not to re-elect the aristocrat Van Buren, who drank champagne and lived in a palace, but to vote for Harrison, who lived in a log cabin and drank hard cider. The Democratic politicians were hard put. Van Buren even attended the Bowery Theater in New York in 1839 in company with Ming and other leaders of the "Friends of Equal Rights." [37]

The party naturally made full use of Brownson's organ, the *Boston Quarterly Review*. In its pages Alexander Everett, having changed from a Whig to a Democrat, was now praising what he had once denounced both in economics and politics. He sturdily defended the Jackson financial measures in general and the sub-treasury in particular. He extolled Jackson as having carried out the desires of the people and saved the country from a moneyed aristocracy. He denounced Biddle as an incompetent whose only knowledge was in law and literature. Van Buren's sub-treasury system would, as Calhoun argued, benefit Massachusetts because the reduction of paper would reduce prices to their natural level and thereby prevent foreign competition in a more natural way than would a higher tariff.[38]

Everett was supposed to handle the "technical" aspects and swing the Massachusetts business community to Van Buren. Brownson undertook for the occasion to write his most famous article, "The Laboring Classes," in the July 1840 issue of his magazine to convince the "workingmen" that they must vote for the Democratic nominee.

He began by saying that in England the depressed condition of the "proletarii" is not due to the nobility, but to the "middling class." The natural enemy of the workers is the employer, whether master me-

chanic or factory owner. A Duke of Wellington is much more likely to vindicate the rights of labor than the Whig manufacturer, Abbot Lawrence.

The wars between king and barons, the wars between barons and manufacturers and merchants, between landed capital and commercial capital, are now past history. With the businessman now the peer of the Lord, there begins the new struggle, between the operative and his employer, between wealth and labor.

If there must be a laboring population distinct from proprietors and employers, slavery would be better for the laborer than the wage system, for the wage laborer has all the disadvantages of freedom with none of its blessings. The wage system is a cunning device of the devil for the benefit of those who would retain all the advantages of the slave system without the expense, trouble, and odium of being slaveholders.

He drew a woeful picture of the lot of the operatives. The average working life of a female operative is three years at starvation wages and shattered virtue. The employers shed tears over the poor lot of the laborers, while they contend for a high tariff which taxes the poor and sharply reduces their wages, and while they build miniature log cabins midst shouts for Harrison and hard cider. Yet they have the audacity to be horrified at a southern planter for having slaves!

Under the present system, few if any of the laboring class can ever acquire sufficient funds to become independent laborers. Fifty years ago industrious habits constituted a valuable stock to obtain independence and competence. But the wilderness has receded, the new lands are beyond the reach of the mere laborer, so the employer has the laborer at his mercy.

To "emancipate the proletary" from the wage system, conditions must be provided that by the time he is of a proper age to settle in life, he shall have accumulated enough to be "an independent labourer on his own capital—on his own farm or in his own shop."

The conditions are, first, that government strictly limit its powers; then the control of government by the banks must be eliminated by destroying the "banking system" in the manner presented by Gouge; and, finally, government must eliminate all monopolies and privileges.

Up to this point, Brownson's outburst against the capitalists was standard party demagoguery. But apparently to clinch the case, Brownson added Skidmore's old plank to have the state distribute

estates equally to the succeeding generation. After all, he knew that had won votes in the old days.

However, he said, the rich, the business community, will never voluntarily consent to such a measure. It will be effected, if at all, only by physical force. It will come, if ever, only at the conclusion of a war unequaled in the world's history. We are not yet ready for the abolition of inheritance, however, Brownson added. Much ground work remains to be done, and he would be the last person to present it in the legislature. As he said later, the measure should be enacted only when the public conscience cannot do without it and when it has some prospect of being permanent and effective.

But the outcry against inheritance furnished the Whigs with an excellent opportunity to show that the Democratic Party was subversive. Democratic leaders accused Brownson of wrecking the party's chances; and Calhoun, his great mentor, asked him to reexamine his notions on property.

Brownson replied to the Whig attacks in the October issue. The prevalence of agriculture, in which men are at once both laborers and capitalists, has heretofore hindered the formation of classes, he wrote. But since the public lands are disappearing, the harsh class distinctions of Europe are inevitable. Universal suffrage is little better than a mockery where the voters are not socially equal—that is, where great inequality of wealth exists. "No matter what party you support, no matter what men you elect, property is always the basis of your government action." In no instance have the rights of the "proletary" prevailed over those of property. The interests of landed property combined with those of labor will be successful in the coming election not because labor is important, but because the farming and planting interests are stronger than the manufacturing and mercantile interests. Therefore the workingmen must support the Democratic Party.

On the eve of the election, Brownson "prepared" for the Workingmen's Association of Charlestown, Massachusetts, an address calling on the workingmen to support the Democratic candidate for governor of the state. The document reiterated that the Whig Party represented the capitalists and business, but the Democratic Party was favorably disposed to labor's interests. It opposed usurpation of states' rights by the executive, Congress, and the federal judiciary. It opposed a national bank, a national debt, and a protective tariff. It would leave "all the great interests of the country to the natural and im-

mutable laws of trade," for matters concerning labor cannot be solved positively by government.[39]

This workingmen's association seemed to be in large part Brownson's temporary creation. According to his son's biography, Brownson was then also editing a "radical workingman's journal" in Charlestown and "took great interest in the association whose support he could always count on." [40]

It was in keeping with his multiple personality that immediately after the election and defeat of Van Buren he reprinted the "address to the workingmen" in his *Boston Quarterly Review*, without in any way indicating that he wrote it, but praising it as worthy of further study. Lest the workingmen get the idea of maintaining a separate ticket and thus threaten to make temporary alliances with the Whigs, he warned that workingmen should not operate under their own flag. "Workingmen are generally more false to themselves than the aristocracy to them." They have already become so dependent and servile in their spirit that not much can be done with them. They are as afraid of displeasing their masters as of losing their jobs. They should therefore loyally support the regular Democratic Party if they seek social democracy, for the party is the real Loco-Foco party, the party of Jeffersonian Democrats.

Brownson's good Democratic friends understood his position. Alexander Everett, who had just been made President of Jefferson College in Louisiana, and who was insisting that to Adam Smith's work little had been added by subsequent discussions,[41] was hoping that funds could be secured to induce Brownson to become professor of moral philosophy. Nothing happened, and Brownson continued to tell the workingmen through his journals that the politicians take advantage of their political equality to oppress them. Universal suffrage blinds the workingmen to their inability to protect their rights and interest against property. In fact, "this growing industrial feudalism" in all the more advanced nations which have vested the control of economic life in less than two hundred individuals, proves the need of imposing restraints on the popular will, if the greed and usurpations of capitalists are to be checked.[42]

The answer appeared to be in making his intellectual mentor, Calhoun, president, and he strenuously labored to obtain the Democratic nomination for him in 1844. To those who criticized Calhoun's record of inconsistencies and shifts as demogogic, Brownson replied that Calhoun was "eminently a practical statesman." [43]

Just after Polk, instead of Calhoun, received the party nomination, Brownson joined the Catholic Church. His economic views fitted in with those of the Church. Bishop Hughes of New York declared in 1844, in *A Lecture on the Importance of a Christian Basis for the Science of Political Economy*, that one of the chief causes of the oppression of labor by the bloated capitalists and landlords everywhere was the materialism of British and French political economy. The ultimate cause, however, especially in England, was the change in religion from Catholic to Protestant, for this had led to the confiscation of the estates of the monasteries which had taken care of the poor. The radical critics, with their schemes of socialism in the United States and abroad, have discovered, said the Bishop, the self-interest which operates so injuriously in the present systems; but they can never discover any principle of sufficient power to correct it. This can be done only through a renovated faith and a practical exercise of the virtues prescribed by religion and takes the form of favoring, for one thing, the re-establishment of the monasteries.

Brownson continued to denounce the doctrine of popular sovereignty in general and the abolitionists in particular. Since the Constitution, like all existing fundamental laws, is the expression of God's will on earth, and since it guarantees slavery, the abolitionists and abettors of runaway slaves are at war with God. Since slavery is essentially the relation of father and son, it is not an evil; it becomes so when the slaves and masters are not spiritually-minded. If the slaves are freed and enfranchised, then civil war and the end of civilization must follow.

He bluntly declared to the students of a Maryland Catholic college in 1853, in a lecture in praise of "liberal studies": It is "our duty to accept the distinction of classes as a social fact, permanent and indestructible in civilized society." The North, like the South, consists of freemen and slaves, but "you [in the South] call your slaves by their proper names, and . . . relieve them from the cares and burdens of freemen." Further, under the legal slavery of the South, "the southern gentleman has a personal freedom and independence . . . which gives to southern manners a charm . . . which our northern manners, I am sorry to say, for the most part lack. . . . I tell you, young gentlemen, however democratically inclined you may be, that God gives to every nation an aristocracy . . . whose mission it is to guide and lead the people, and to defend their interests." But the most discouraging thing in the country "is the tendency to place the servant

above the master, and the rapid decline of the better class, the disappearance of our gentlemen from high official station, and the entrusting of all affairs to the management of men who want nobility, elevation, and manliness of character." Of course, this springs from a "prejudice against aristocracy." [44]

### THE FOURIERITES: ALBERT BRISBANE, HORACE GREELEY

Meanwhile the followers of Fourier began to occupy the center of attention. Their leader was also a New Englander, Albert Brisbane (1809–1890). Unlike Brownson, he came of a family of wealth and had the advantage of European travel and education.[45] While abroad he became acquainted with Fourier's work and on his return to the United States began lecturing on it. The movement burst into full bloom in 1840 with the publication of his *Social Destiny of Man.* According to Brisbane's presentation of Fourierism, man needs riches and pleasant activity to be happy. The only legitimate way to acquire riches is through industry. But industry today, instead of being pleasant, is repugnant. This is due to an inevitable historical progress in mankind. In the original savage state man was free, but he was poverty-stricken and turbulent, for he was not habituated to labor. The succeeding patriarchal and barbarian stages were despotic, but the despotism was useful inasmuch as it forced men to labor and so achieve their industrial destiny of turning the earth to full use. In civilization the mass has become formally free but in effect slaves, for they live wretchedly because labor is still held to be repugnant and only achieved by the fear of want.

However, in civilization have arisen all the elements essential for satisfying man's social destiny. These elements are agriculture, manufactures, commerce, banking, the positive sciences, and internal communications; but they have developed incoherently because they have been neither regulated nor organized to prevent abuses. They were left to the control of individual action and free competition—that is, to the competition of small units; and this individualistic competition is the source of all evils, of crises, class conflicts, and general wretchedness and privation. But this shows it is merely a transitory stage, and that a development to a higher stage is inevitable.

The development may take two forms: One is a continuation of the prevailing unconscious tendency toward a thorough-going control and organization of labor by the financial classes. These classes

are being driven to this action to protect their investments; and such a financial control, though it would leave the industrious classes little freedom, would remove a good share of the turbulence and wastes of modern industry. The alternative is for society, not the state, to turn consciously to voluntary "true associations" or phalanxes which would give freedom, increased productivity, and general riches to all, far exceeding the present amount. This could be done by so organizing labor in groups and series that the "passions" of men, instead of working at cross-purposes as now, would lead, unrestrained or in "passionate equilibrium," to "attractive industry" and thus enormous production.

Each of the phalanxes or associations should be a joint stock corporation composed of about 400 families or 2000 people. It would be a relatively self-contained unit devoted to agriculture, manufactures, and domestic occupations and, possessing adequate capital, would achieve the economies of large-scale production and consumption. The products would be divided in the proportion of five-twelfths to labor, four-twelfths to capital, and three-twelfths to skill or talent.

Capitalists, whether they resided in the association or not, would obviously have great inducements to invest. Brisbane declared that they were in effect guaranteed a minimum return as against the insecurity and losses of other types of investments. Since the stock would be negotiable and transferable, the owners could easily liquidate their holdings when they so desired. Lastly, they would have control of the enterprise. Landholders, in investing their lands in the enterprise, would have the same advantages as other capitalists and thus solve the problem of the farmers. As for pure laborers, whereas under the wages system they are slow and careless, in the phalanxes they would enormously increase their production because they would share in the increase and through these gains could buy stock. Thus the scheme adheres to the first principle of political economy of transforming all the hired classes into co-interested proprietors. Thus people in association will have as much friendship for each other as they have dislike and hatred in civilization. The phalanx will consider itself a simple family, perfectly united.

On the other hand, changes by law or force are futile, since the present evil is social, not political. Thus the abolitionists are engaged in a pernicious, futile movement. True, slavery is false, a holdover from the barbarian age; but it is merely a symptom of the funda-

mental malady, repugnant industry. So long as labor is repugnant, the only way to obtain production is by constraint, and it makes no difference whether the workingmen are the wage slaves in the North or the Negro slaves in the South. Thus slavery is not the foundation of the social evil, but is only an accidental feature and should not be attacked first.

Furthermore, the abolition of slavery would infringe the fundamental rights of the social compact. Southern agriculture is dependent on slavery. The South will not be passive against any "outside" measures for abolition because the slaves are its property, its active wealth. It is contrary to all experience that a people would sacrifice the practical advantages of the interests of property and a worldly existence to questions of a political or other nature. Should abolitionists succeed in obtaining a political majority, the South will naturally secede, and eventually civil war will follow. Thus Calhoun's ideas of political equilibrium and reconstruction of political representation are "profound and original."

Brisbane was sufficiently persuasive to obtain support for numerous phalanxes, but on a much smaller scale than his plans called for.

A good deal of Brisbane's initial success and the vogue of the movement was due to the support given by Horace Greeley, editor of the powerful Whig organ, the *New York Tribune*. But to Greeley, Fourierism had to be fitted into Clay's American System. The protective tariff is the first great instrument of social reform. It is "labour's political economy." As he put it in his introduction to the American edition of William Atkins's popular protectionist *Principles of Political Economy, or the Laws of the Formation of National Wealth Developed by Means of the Christian Law of Government* (1843), the protective tariff is not a selfish policy like *laissez faire*, but the principle of "universal love" of Christianity raising mankind to its highest possibilities of development.

Critics claim that the tariff on cloth is hardly Christian since the starving English factory hands plead for American bread in return for their cloth. Greeley replied that, on the contrary, protection makes for real philanthropy to the English laborers. Only a fraction of the bread dispatched to the English market can go to the factory hands, for most of it goes to pay the merchants for their charges, the English government for duties, and the English aristocracy and established priesthood for rents and tithes. But Americans need cloth and

will pay handsomely for it if the English factory hands come to the United States. The saving of the vast amounts lost in transportation and complicated traffic, in taxes and unproductive labor, will enable the factory hands to receive three times as much grain as formerly for the cloth and the farmers twice as much cloth as before.[46]

On the other hand, direct action by labor in the form of strikes and legislation on hours and the like falls into the category of disastrous revolutionary action.

"From the journeymen's side," said Greeley, "we have all manner of Jacobinic clamour against the oppressions of capital, wealth, monopoly, etc., but no practical suggestion for their removal." Fourier phalanxes provide the real solution, for they would emancipate labor by organizing it, and labor must be organized to avoid social anarchy and economic waste.

Capitalists and enterprisers, instead of being the cause of the present evils, are the great engines of industrial progress, he claimed. Ancient chivalry was destructive, but its modern counterpart built Lowells and Manchesters. The "king of men" today, to whom honors and public trusts are tendered as of right, are the great industrialists. Under them the progress and the efficiency of useful labor shame all recorded precedents.

But at the same time the condition of the laboring mass has gotten worse, and their ever-increasing numbers threaten convulsions. "Wealth and penury advance hand in hand." The problem is to raise labor from its ignorance, inefficiency, dependence, and want, and place laborers in a position of partnership and mutual helpfulness with the suppliers of the capital. This would render labor fruitful and efficient.

In the phalanxes the brains of successful employers could be used to most advantage. Unemployment today is not fundamentally due to the lack of capital, as argued by the *laissez-faire* opponents of the tariff, but to lack of organizing brains. In the phalanxes the moral riches of the laboring mass would be raised by such recreations as dramas, concerts, and readings. At present rural youth leave the farm because there is nothing to occupy their leisure time.

Greeley appealed to college graduates to fight for protectionism and promote the "organization of labour" in Fourier phalanxes. The colleges teach the false principles of Adam Smith, he said; but experience in industry soon shows the college graduate the true ones. If colleges turned to more practical subjects, their graduates would

be more useful in business and serve as guides and examples for the laboring mass in this time of cordial hatred between the better educated and the "imperfectly instructed." [47]

But Greeley made one great mistake. In 1846–1847 he debated with a rival editor, Henry Raymond of the *Morning Courier and New York Enquirer*, through the columns of their respective journals on the merits of the phalanxes. The rival, having been a former employee of Greeley, had apparently learned enough of Greeley's demagogic methods to be able to arouse respectable classes against the movement. Fourierism, said Raymond, is either communism with all its moral horrors, or it is only a new and cheap disguise for the familiar capitalistic system. If the "passions" are free, as the scheme proposes, the result will be polygamy and other perversions destroying the family.[48]

Though numerous phalanxes were promoted, especially by Brisbane and Greeley, all came to grief; but the movement exercised considerable influence in achieving the enactment of general incorporation acts through preaching the beneficence of large-scale organization and negotiable shares.

## THE PHILOSOPHICAL ANARCHISTS: JOSIAH WARREN, STEPHEN PEARL ANDREWS

Most native of all the laborite strains was that of "philosophical anarchism," developed by Josiah Warren.[49] He was of old New England stock and had talent in music, printing, and invention. He joined Robert Owen's New Harmony community, but after two years' residence he concluded that any scheme based on "authority" and community of goods must fail because individual responsibility is eliminated. At near-by Cincinnati he established his famous "time" or "equity" store, where, in the manner of a producer co-operative, he arranged for disposing of goods according to their "labor" cost. Subscribers ostensibly received, for a few days' labor, a similar amount of the labor of any other subscriber, or might purchase articles at wholesale price to which would be added the time necessarily consumed in the sale of the article. So at first Warren declared that "labor" should be estimated according to time. But he found that valuing his own services accordingly was unsatisfactory, so he declared that goods should exchange not according to equal time, but equal value measured by the ultimate cost of labor sacrifice, or "pains." Included in the

scheme was an idea directly borrowed from Robert Owen—the use of "labor notes" to break the stranglehold of the money monopoly over the producers. Producers could give their notes calling for so much labor in exchange for goods. Thereby producers would in effect exchange labor for labor.[50]

The activities of his Cincinnati store, or "Time Magazine," as it was called, were celebrated in 1827 in a poem by "Philanthropos" which appeared in a local newspaper and was duly reprinted in the journal of Owen's colony, the *New Harmony Gazette*, for the amusement of the friends of their "late fellow citizen."

*Time Magazine*

For an equal exchange of Labor as valued by Time, now in successful operation, at the corner of Elm and Fifth Streets, Cincinnati.

All hail to the era of knowledge divine!
When the value of *Labor* by *Time* is displayed,
When money the bane of mankind must decline,
Since *time*, peerless time, forms the *medium* of trade.

Oh, where? for these thousands of years, has been kept,
This science which now, for the first time, is known?
Where! where but in Error's dark kennels has slept,
This true source of wealth which a *Warren* has shown.

By a *medium of Minutes*, this traffic sublime,
Displays an Elysium among us begun;
Where *labor* buys *labor* for that *sum* of *time*
(From one to another) in which it was done.

* * * *

A '*Bill* of all *Wants*,' ever posted to view,
As *rated by time*, at all times may be seen;
And those who supply them, receive as their due,
*Notes* in *minutes* and *hours* on the Time-Magazine.

* * * *

Then hail, thou great era of knowledge divine!
When the standard of labor by time is displayed,
When the value of money shall surely decline,
Since *Labor* and *Time* are the *Medium* of trade.[51]

The idea of "time stores" became popular. Philadelphia "labor" circles saw for a time in these stores the ultimate solution of labor's problems and set up a time store using as criterion the labor of a "medium adult laborer." Frances Wright and Robert Dale Owen even promised Warren an opportunity to start one in New York City in 1829, but little came of these attempts unless one includes an investment later of $6000 by Robert Dale Owen and his brother in Warren's invention of a new rapid printing press.[52] Warren, however, pushed his ideas. He started settlements and began publishing—first magazines, beginning with the *Peaceful Revolutionist* and the *Gazette of Equitable Commerce;* and then comprehensive treatises, beginning in 1842 with the *Reformation of the Currency, Upon the Principle of Labor for Labor.* Warren felt that he was expounding the philosophy of "free competition" as the regulator. In fact he was logically extending Calhoun's doctrine of the "concurrent majority," and in its practical application it came close to achieving Calhoun's ideal.

Person and property can only be completely secure, Warren declared in *Equitable Commerce* (1846), when the state and all coercive authority is absent. Everyone should be free to dispose of his person, time, property, and reputation at his own cost. Consequently all economic activity should be left to private enterprise. Free competition would force the price of everything to its labor cost. The cost principle would result in attractive industry, co-operation instead of antagonism, and the economies of co-operation and division of labor. Profits would be merely the compensation for managing the business. The demand for labor as well as for goods would be made known by publicly posted records, and thus supply would be adjusted to demand. Machinery would be a blessing, for the workingmen displaced by machinery would have an opportunity to go into other industries and yet reap the advantages of low costs of the goods produced by the machinery.

Under the present cannibalistic competition, controlled by a financial monopoly, price is regulated by value to the consumer rather than cost. The result is wretchedness and unemployment. Machinery, instead of being a blessing, is a curse. But this unnatural order is due in the first place to the coercive state. Without the authority of the state, land speculation, for instance, would not exist, for land would be held only by the user. Likewise the ending of apprentice regulations would allow men to shift from industries in which overproduction exists to those in which there is a great demand.

But the greatest evil is the financial monopoly created by the state, whether in the form of requiring specie as a currency or granting exclusive charters to issue paper. This monopoly creates an artificial scarcity of medium of exchange. But money is barren. Since it is intended to be merely a medium of exchange, it is entitled to no return. Free trade in capital and the issuance of money based on labor, as Owen advocated, would reduce the interest charges to the labor cost of lending and receiving the money. These labor notes could be issued by anyone in exchange for goods and would run in terms of labor to be performed or an equivalent in a commodity, again based on the labor to produce it. Thus we would have "equivalents in trade and equitable money."

He barred both private corporations and state enterprise, but it was generally the latter that was the object of his criticism. Thus he declared that he did not expect a reliable postal system until, like commission forwarding or the Adams Express, it was conducted on "individual responsibility." His fellow philosophical anarchist, the noted Massachusetts lawyer Lysander Spooner, defended his constitutional right to operate a private post in competition with what he called the inefficient government mails on the more sophisticated ground that this would provide a yardstick for government efficiency.

Except for avoiding "isms," Warren said in 1854, he would call his movement "American Conservatism." The cost principle and a new kind of money growing out of it constitute the two great positive elements of the equity movement. But it requires sufficient numbers to get the principles fairly working. It is exactly opposite to community of property or partnership interests of any kind. The French "anarchists" like Proudhon declare that all property is robbery, but to give everyone as great a claim on the product of labor as the producer, as they argue, means universal robbery and confusion. The "reformer's" proposition that all profit is plunder is also erroneous. A merchant may get a living from the profits of his business and yet receive only one-third of an equivalent of his labor from the community. But the cost principle furnishes the limit.[53]

Any radical change of the social order—that is, the immediate installation of the "anarchistic" order—he declared is undesirable. It should be accomplished gradually. All mankind could not be expected to act immediately on the rational principle of cost. The enlightened few must show the way. So he started settlements, includ-

ing one on Long Island called "Modern Times." In between times Warren pushed his other hobbies. Thus in 1860 he published *Written Music Remodelled and Invested with the Simplicity of an Exact Science.*

Abroad, John Stuart Mill, the last of the great classical economists of the Ricardo tradition, saluted Warren, in his *Autobiography*, as a "remarkable individual," and appropriated with acknowledgment Warren's concept of "the sovereignty of the individual" as he attempted to work out his somewhat less extreme philosophy of "liberty."

Like the Fourierites, Warren had a number of home-grown disciples. Most vigorous was Stephen Pearl Andrews (1812–1886). He too was a New Englander by birth and training. After graduating from Amherst he went to New Orleans, where he became a wealthy lawyer and slaveholder. But he became involved in schemes to end slavery in the Republic of Texas by government purchase. These activities met with little favor, and Andrews found it desirable to make New York his permanent home. He became interested in a host of hardly related activities. He promoted Pitman's shorthand, propagated the study of various foreign languages from Chinese to Sanskrit, and proposed an international language. He became a leader in the various radical movements and shifted allegiance as one superseded the other. For a while he was a Fourierite, but after meeting Warren in New York he espoused the cause of "equitable commerce" in his own distinctive fashion. Through the columns of Greeley's *Tribune*, on which he served for a while as Washington correspondent, he gave the movement wide publicity.

Andrews added to Warren's philosophy of labor notes by arguing that, since the notes of the average individual would be subject to considerable questioning, storekeepers should undertake to issue these notes for general circulation based on the labor notes of individuals. In this way a proper banking system arises, he argued. Apparently he did not realize that this was the type of argument advanced by the defenders of the existing banks. At the same time, he gave more definiteness to Warren's conception of value by saying that labor repugnance, rather than use value or utility, ought to regulate price. Perhaps it was not strange that his basic paper, "Cost, the Scientific Limit of Price," should first appear in the *Merchants' Magazine* (March 1851).

Pushing the logic of Calhoun's concept of concurrent majority to its extreme, Andrews in his *Science of Society* claimed that philosophical anarchism was the ideal of concurrent sovereignties and the remedy for the chaos of so-called modern "free society." The sovereignty of the individual is the basic ingredient of true protestantism, democracy, and socialism, he said. Protestantism is freedom from ecclesiastical control; democracy is freedom from governmental control, whether it be monarchy or the rule of the majority. Socialism attempts to give every man the legitimate reward of his labor. The movement is everywhere toward the sovereignty of the individual. In government it is exemplified by states' rights and division of powers in the federal government. All enterprise should be left to individuals, for government "goes by rule, pre-ordained in the form of law, and consequently has no capacity for adapting itself to the individuality of an unforeseen contingency."

Already there is an increasing demand for the abolition of usury laws. Borrowing Loco-Foco Hunt's idea, Andrews argued that good faith and the maintenance of credit would be best promoted by eliminating all laws for the collection of debts. The fear of the law is less potent than commercial loss for enforcing obligations.

The wage system, however, would continue because men are created to perform different functions—some to lead, others to follow. It is the business of those employed to obey implicitly—that is, to surrender any will of their own in relation to a design not their own, and to execute the will of the others.

There was room in Andrews's schemes for acceptance of slavery. In fact, he stood ready, at least in letters, to collaborate with the most ardent philosophical defenders of slave society to provide a sound "science of sociology" by reconciling the antagonistic principles of freedom and order. This new philosophy would be broad enough to cover North and South, to "neutralize factious demagogism against the institutions of one section . . . to quicken lagging conservatism of the South into reform in its own way, and adapted to its own wants, and to give the reformers of the North quite enough to attend to at home." [54]

The Fourierites denounced Warren and his followers as sheer communists. The Reverend George Ripley, Fourierite president of the Brook Farm Association and member of Greeley's *Tribune* staff, agreed that the sovereignty of the individual is the ideal of true socialism and that individual property is essential to the development and

sovereignty of the individual. "The universal instinct which dreads poverty as the crowning terror of life is a genuine impulse of nature." Without private property the individual is a slave, unable to attain the spiritual culture and harmony which were the birthright of man. The sovereignty of the individual has not yet arrived because the majority ignores the interests of the minority. Hence democracy is merely a steppingstone to a larger development in the cycle.

But Warren's principle of cost as the limit of price violates the right of property and its corollary, the right of exchange, and thus infringes the sovereignty of the individual. The natural law of property can be set aside or suspended only by arrangements to which the possessor of property gives his voluntary assent. In Warren's system natural law is renounced "in favor of equal distribution for the sake of absolute equality." In "association which is heaven wide from communism" the principle is waived "in favor of a graduated distribution of products, for the sake of integral harmony, proceeding from graduated inequality." Under Warren's philosophy, if one person produces in the same time as another an object even twice the value of the latter, as measured by its adaptation to supply human wants, he is still forced to exchange it on perfectly equal terms. Absolute ownership is destroyed by an arbitrary restriction on the process of exchange.

Since cost of production is only one element in price, man's natural right is defeated if price is limited to that element. Furthermore, genius, skill, and opportunities may be the gifts of nature to the individual, but as indispensable factors in production they must be paid for like other factors. Warren would distribute products by "labor time," including its disagreeableness and difficulty, rather than by the useful effect of labor. The latter rule is dictated by "the common sense of mankind, except the communists, who sacrifice distributive justice to the sentiment of friendship."

Andrews denied that Warren's system was communistic or that it infringed property. On the contrary, the Fourier associations belonged in the category of communistic schemes, as Greeley's critics had argued before him.

The argument became even more confusing as the Fourierite Charles A. Dana, then Greeley's city editor on the *Tribune*, presented an elaborate analysis and eulogy of the French "anarchist" Proudhon, and especially of his "Bank of the People," whose notes played

the same role as Warren's "labor" notes. He declared that Proudhon's ideas on the reform of circulation and credit merit great attention in this country, for circulation is the life blood of the whole economical and industrial system, and interest charges constantly devours the fruit of industry. "A country which pays even 5 per cent interest, to say nothing of the rates of Wall Street, must from time to time commit bankruptcy, in order to rid itself of a burden of debts which it cannot discharge, its entire property having already passed into the hands of the creditor." [55]

But Dana, like his Whig chief, appears to have intended this merely as an argument for a national bank and an attack on the sub-treasury system and specie medium. Thus the "Democracy of France" and the Revolution of 1848, according to the *Tribune*, was intent on establishing large joint stock banks of discount and circulation to aid industry and business, but the Democracy here wages relentless war on such institutions.[56]

### THE MONETARY SCHEME OF EDWARD KELLOGG

Another cure-all for the problem of labor, along the monetary lines approved by Greeley and Dana, came from Edward Kellogg (1790–1858), whose detailed position and works had the support of Greeley. He left a Connecticut farm to become a large wholesale dry-goods merchant in New York. Though forced to suspend payments in the panic of 1837, he soon regained enough means to retire from active business and spend his time taking care of his property, speculating in western lands, and writing.

In 1841 he had a friend write a pamphlet, *Remarks Upon Usury and Its Effects: A National Bank a Remedy*, based on facts that he furnished. It attributed disasters in business to usury and saw the check in a national bank. Two years later, with the encouragement of Greeley, Kellogg elaborated his ideas in *Currency: The Evil and Its Remedy*. He specifically disavowed the attacks made in "our political contests upon banks and banking." But it is necessary to remedy those frequent and injurious fluctuations in our monetary affairs, he said. These are caused by the usurious practices of a few capitalists and moneylenders acting in collusion with the state banks in their expansions and contractions of currency and credit. These usurers corner the limited floating supply of capital at opportune moments. Wealthy merchants are reduced to penury by the charges of these

Wall Street brokers who take advantage of their need for ready cash. Prices of securities and other property fall, and pecuniary distress prevails because money in fact, though not in theory, has ceased to be a measure of value because of fluctuations in the rate of interest. Usury laws are easily circumvented by the Wall Street money jobbers, but an effective and simple remedy would be a national bank. Under the second Bank of the United States usury was relatively absent because the bank kept the state banks within their essential and legitimate functions. Kellogg proposed that the government establish a national bank with branches in every state, but with limited dividends. Its interest rate should be the value of the use of money in the various departments of business in which it is employed.

In 1849 Kellogg avowedly based his scheme on an inconvertible currency, but made his appeal both to the "workingmen" and the businessmen, as the grandiose title of his treastise suggests: *Labor and Other Capital: The Rights of Each Secured and the Wrongs of Both Eradicated, or, An Exposition of the Cause Why Few Are Wealthy and Many Poor, and the Delineation of a System, Which, Without Infringing the Rights of Property, Will Give to Labor its Just Reward.*

It had the approval of commercial financial organs, but in the spirit of the raging radicalism the book began with a scorching attack on the ever-increasing concentration of wealth. Two and a half per cent of the people own 50 per cent of the country, the argument ran. Industrial advance is prevented by the necessity of satisfying the extortionate charges of the capitalists. Laborers are reduced to a level of subsistence; southern slaves are economically in a preferable position. The cry of overproduction is heard, but people starve.

However, Kellogg's oppressed classes turn out to be primarily merchants and promoters unable to proceed in their ventures unless they can obtain capital from the idle capitalists. This concentration and oppression is achieved by monopolizing the representative of property, money, which is merely a creature of law. The value of money in reality depends upon the legal power to accumulate value by interest. The interest rate determines the value of the dollar as a medium of exchange, and the price of property falls from its intrinsic value in proportion to the increase in the interest rate. If the interest rate is too high, the process of compound interest will result in a few owners of capital acquiring the wealth and goods of the many.

The evil can only be remedied by law, but the power to accumu-

late value by interest is a necessary power, for otherwise money will have no value. The remedy is a national bank with branches, to be called the "national safety fund," which would issue legal tender notes to borrowers on the security of real estate. The bank would charge only 1.1 per cent interest on the ground that, as money is designed for public use and is not itself a producing power, interest should be no more than the labor cost of manufacturing and loaning the "money."

Since these notes would represent actual property-bearing interest, they would have uniform value. To prevent overissue and maintain low rates, the "money" could be converted at the will of the holders into bonds bearing 1 per cent interest payable in the paper money.

Under the scheme "products would be owned by those who performed the labor, because the standard of distribution would nearly conform to the natural rights of man." A man without property could not borrow these notes because then the money would represent his credit and not his property, and if he proves unable to pay, the nation loses. But day laborers would benefit as much from the plentiful supply of currency as property owners, particularly farmers; for laborers will have the use of lands at low rents, and "some lay up means to buy farms for themselves." States could borrow cheaply for internal improvements, which would give prosperity to farmers and businessmen. The government could receive a valuable income by selling its public land on the stipulation that only the low interest need be paid. Merchants would do a safe business, receiving moderate but sure profits. Thus labor and the nation would become wealthy. With the supply of money always commensurate with the wants of business under this scheme, the nation would never face any financial revulsions.

In an appendix, Kellogg urged the leaders of the successful French Revolution of 1848 to adopt his scheme; otherwise another revolution might be expected, accompanied by a general repudiation of debts and the breaking up of large estates.

In strict accordance with the spirit of the scheme, he pleaded through the columns of Greeley's *Tribune* in the panic year of 1857 that the New York banks discount all good paper up to six months and adjust their balances among themselves as they had hitherto done when money was plentiful. Then the business of the nation will revive, he said. The products of the South and West will find their

way to market and command much better prices than they possibly can as long as the contraction of bank paper continues.[57]

## THE EMPIRE OF JOHN ETZLER'S MACHINES

The German-born inventor, printer, and promoter, John Adolphus Etzler of Pennsylvania, prepared a solution to the ills of the laboring class based on machine technology. He first presented his proposals in 1833 in *The Paradise Within the Reach of All Men, Without Labour, by Powers of Nature and Machinery.*

He explained that the great advantage of mechanical contrivances is not in the mere machinery, but in the efficiency and cheapness of power to drive the machines. Through his inventions the immense "costless" powers of nature, such as wind and water, could be used to create a thorough-going machine-run universe. Mankind would avoid the drudgery of labor and live a life of leisure and intellectual and social enjoyments. The only exertions required would be the pleasant ones of merely attending the machines a few hours a month.

The powers which nature supplies freely, he said in the sequel, *The New World or Mechanical System* (Philadelphia, 1841), are much stronger than can be mustered by all the men and beasts together. They can be made as strong as the people like—that is, they can be made to supply "perpetual powers" to any amount desired. The powers are "most obedient to your will, imperishable, and indefatigable, working for you day and night for ever without food or wages." These powers will, with a few simple tools, "cultivate all your land, build your houses, make all your desirable canals and roads, and carry you and your things from place to place as quickly as you please, and ultimately change your country—your unproductive woods and prairies, your dismal swamps and ponds, your mountains, and vallies, and your poorly cultivated farms—into a general paradise."

Since the machines are simple and almost costless, they multiply themselves without labor. That is, the first machines are to build and drive other machines *ad infinitum*, until the whole country is converted into the ultimate state of plenty and leisure for all.

Etzler was no mere philosopher of the machine age; he was also a promoter. So his practical proposals, in the realms of both government and finance, for managing his ideal state took the form of a private joint stock corporation called "Association for the Improve-

ment of the Human Condition." Branches would embrace the entire country Prospective purchasers of shares were informed that in five years their investment based on the income would increase a thousand times.

Of course, the inventors—and he had, he claimed, just the inventions needed—were to be paid handsomely by the "association." An article of the constitution read: "Any invention, improvement or discovery entitles the inventor or discoverer, or his assignees or heirs, for the first ten years of their application, to one-tenth of the advantages resulting therefrom to the association, or to any individuals of the same, making separate or joint use with others" of the process. After the first ten years the inventor will receive one-twentieth of the benefit or one-twentieth of the property invested in the application of the same invention, improvement, or discovery. If any improvement is made on the process by another person, the original inventor's share is not to be diminished, but the new inventor is to receive the same percentages of those advantages his process affords over and above the advantages reaped by the old one. The association or any of its branches cannot dissolve or dispose of its establishment before it has satisfied the inventor or discoverer for his stipulated share.

The American government, of course, could render substantial assistance, said Etzler. At this point he tied up the scheme with a grand land-promotion project. The government, he declared, should grant would-be "settlers" tracts of land to start the scheme from its vast holdings of western wilderness. The government should sell them on credit for ten years, and the payments should be discharged by the "settlers" in extensive improvements for the benefit of the nation, such as railroads, canals, drainage of swamps, dams, establishments for new settlers and travelers, and vehicles for water and land transportation.

Since the settlers, as members of the "association," would have the use of his inventions, the hard labor of present settlement would be avoided. But the greatest benefit of government aid would be in attracting European immigrants.

After spending eight years trying to convince the American public, Congress, and even President Jackson of the merits of his scheme to achieve Paradise, Etzler finally became discouraged by the Americans' ignorance of "mathematical truths." He and his publisher, C. F. Stollmeyer, decided to go to England to push the products of Etzler's fertile brain.

England was going through an extended period of social convul-

sions and was a good market for proposals solving the great problems of unemployment and starvation wages. Emigration was a remedy generally proposed, and Etzler's book fitted into this scheme. In fact, an English edition had been published in 1836 without even changing the American dollars into British currency units.

Now, in 1842, Etzler and his publisher brought out a second edition and followed it the next year with a *Dialogue on Etzler's Paradise: Between Messrs. Clear, Flat, Dunce, and Grudge.* The profound effect of a second British edition on the respectable American reading public, coupled with the great interest in Fourierism at the time, combined to obtain for the book a good deal of attention in the United States. That cultivated organ of the Democratic Party, the *Democratic Review*, got just the right man to criticize the book: the Harvard-trained extreme "individualist," Henry David Thoreau. In the November 1843 issue he wrote: "The chief fault of this book is, that it aims to secure the greatest degree of gross comfort and pleasure merely."

In England, however, Etzler's scheme seemed to be receiving about as little attention as it did originally in the United States. He was, however, soon busy on other schemes, different in form but with the same objectives. He issued a *Description of the Naval Automaton Invented by J. A. Etzler, and Lately Patented in England, France, Holland, Belgium, and the United States.* This automaton, stated the "prospectus," affords a "new motive power which costs nothing but a simple contrivance." He asked any person or association engaged or "about to engage in enterprises of a naval or any mechanical nature, or any person possessed of small or large means, and desiring an honourable, certain and lucrative gain, whether they could find a safer and better chance to invest their money."

Then in 1844, under the signature of "Etzler and Co.," came another "prospectus," called *Emigration to the Tropical World, for the Melioration of all Classes of People of All Nations.* In his American book he had sketched America, especially the West, as the source of salvation for the oppressed of the world. Now, claiming he had a large grant of land from the government of Venezuela if it were settled within a given period, he argued that tropical countries offer the best haven because there, with his machines, fruits and provisions could be grown more profusely.

Again he had ready a corporate plan. Shares would sell at £5 and entitle the holder to twenty acres of land. This would be in

addition to a share in the "communal property and lands" which would provide subsistence for everyone without labor, through the use of his machines. Etzler was slightly less extravagant this time in his calculations of the profits to be expected. He now argued that in a few years the private land would yield an income of four times the original investment; and this, capitalized at the current interest rate of 5 per cent, made the capital value eighty times the original investment. Should the owner lack the means to cultivate his land or be unable or unwilling to lease or rent it, he could easily sell it for its worth. "Speculators will soon see the advantage in this."

Of course, there was a place for the British government to help. He said that the funds now devoted to providing a miserable support for the great mass of paupers would provide for them handsomely if applied rationally to emigration.

After that, Etzler seems to have disappeared from public view.

### THE LAND REFORMERS: GEORGE HENRY EVANS, LEWIS MASQUERIER, JOHN PICKERING

In the forties a land-reform movement began that carried most of the reformers along with it and eventually became respectable. The leader was George Henry Evans, the journalist (1804–1856). He began his career as a supporter of Frances Wright and her "guardian schools" idea, and with her had bitterly opposed Skidmore's agrarianism. Then he emerged as a leader of the Loco-Focos. Being a devoted follower of Paine, whose works he republished, he wanted to abolish rag money. But in the *Man* he supported the state loan to the New York banks in 1834. Then in 1844 he organized the National Reform Association which along with his *Working Man's Advocate* preached a "new agrarianism" that looked toward Skidmore's ends. Since capital is the result of labor, he argued, there can be no equal right to capital, and it must be left alone. But the soil is the gift of nature, and everyone has a natural right to the soil as well as to the product of his labor. Therefore, in the abstract, land should be equally distributed. This cannot be done directly in the settled states, but the public domain provides the solution. These lands should be given free to settlers. By making this homestead inalienable, the settler would be as powerful and secure in his rights as the landed aristocracy of Great Britain. Such a policy would cause the fall of land prices throughout the country. The more settled portions, to retain their population,

would begin limiting land ownership until eventually land values would be exclusively the improvements on it. Since wage earners under this policy could easily obtain lands, the bargaining position of those remaining would be strengthened. Thus any unwarranted inequality of ownership would be eliminated. Evans epitomized the philosophy in the title of a circular in 1845, *Vote Yourself a Farm.*

Evans's follower, Lewis Masquerier, Kentucky-born printer, explained in his *A Scientific Nomenclature of the Earth* (1847) that under the land-reform scheme all employments would be properly apportioned in each township and the surplus products exchanged in the town market, upon the equitable principle of equal terms of labor for labor—that is, labor time, "without regard to the labour-saving effect of machinery."

John Pickering, formerly a member of one of Warren's experimental "anarchist" communities, presented the most systematic defense of the movement in his *The Working Man's Political Economy* in 1847. He denounced the other schools of "reform" and the "orthodox" economists.

Warren's labor notes, he said, must lead to the same engrossing of the community property and livelihood as is accomplished by the bank notes. Political economy is devoted to "the interests of the King and the Capitalist." But the economists would have been sound if they had held rigorously to their doctrine that the quantity of labor, the cost of production, was the regulator of the commercial or exchangeable value of all products, including specie.

The natural tendency of exchangeable value or price is to gravitate toward the cost of production. The "mere instincts of nature" would have led to exchanges being based on equal cost if government had not made private property in the elements legal and had not interfered with the personal operations of individuals. If property in the elements is abolished, thereby letting labor alone give value to property whether in its production or distribution, "then perfectly free competition, governed alone by the immutable principle of *supply and demand*," will bring about all that state of things so ardently desired and looked for, by all good and honest men. The reason that competition heretofore has produced evil is that governments have been nothing but combinations of idle capitalists, of landlords and money lords, invented for the express purpose of counteracting the equalizing tendency of free competition.

The solution, therefore, is free, inalienable homesteads. This would

give labor its full product and solve all problems, from war and overproduction to slavery and usury. There would be no wars since there would be no land to fight about. Slaveholders would have no interest in keeping slaves if they had no large estates. But the present contest on slavery is like the battle between the landed interest and the moneyed interest in England, both of which are plunderers. Thus the workingmen, so long as they have no right to the soil, should vigorously oppose emancipation, for emancipation would merely increase the number of laborers and depress wages.

Reformers of almost all schools, including Greeley, took up this land-reform movement. German communists fresh from the Revolution of 1848 supported it with Karl Marx's blessing as a step toward the goal of communism.[58] Even the new-born Republican Party had a vague plank for free homesteads. The future of the movement was thus tied to a party that had as its core Clay's American System. Evans's associates vainly asked the Democrats to support free land to counteract the "nigger delusion" of the new party.

### GERMAN COMMUNISTS AND ENGLISH CHARTISTS IN AMERICA: WILHELM WEITLING, JOHN BRAY, JOHN CAMPBELL

In general, the refugee German communist leaders, including the friends of Marx, espoused not only land reform, but also other characteristic reforms, especially the monetary ideas that the nation had developed. But the mass of German immigrants who necessarily constituted their field of operations were not too deeply interested in anything but land reform, as evidenced by the short-lived character of the organizations and journals that the leaders started. And the leader who had had the greatest reputation in Europe as a communist, Wilhelm Weitling (1808–1871), after a few years of pushing a variant of Warren's monetary scheme in New York, accepted a position in the federal Immigration Service in 1854 and devoted most of his other time to pushing his various inventions.[59]

Perhaps the most significant contribution of the entire movement was the first publication of Marx's famous "Der Achtzehnte Brumaire des Louis Bonaparte" ("The Eighteenth Brumaire of Louis Bonaparte") in a New York German organ, *Die Revolution.*

The ablest of the radicals was John Francis Bray (1809–1897), who did his great work not in America but in England.[60] He was born in

Washington, D.C., of English actors. Six years later the family moved to Boston, and in 1822, on his mother's death, he went to England. There he became a journeyman printer, and in 1835 he became active in the labor movement. In 1839 appeared his great treatise, *Labour's Wrongs and Labour's Remedy; or, the Age of Might and the Age of Right.* Other radicals sought a solution in political reforms such as universal manhood suffrage, but, said Bray, he had seen beggars, poor, and unemployed in Boston, and thus republics are not superior to aristocracies in this problem. The main idea of the book, according to Bray, was that class division into workers and employers was the cause of all the evils.[61]

No greater tyrants than the "moneyed republicans of the United States" exist, said Bray. Liberty and equality of rights are words whose meaning they do not know; "for, apart from the tyranny which the present constitution of society enables one man to exercise over another, these republicans . . . now hold in undisguised and abject slavery upwards of two millions of their coloured fellow-men, who are bought and sold, or flogged and slain like cattle. This glaring contradiction between principle and practice is but a natural result of inequality of wealth; and such tyranny and slavery will invariably be found to exist, either openly or disguisedly—upon black men or upon white men—in every nation, whatever its form of government may be, where inequality of possessions and the division of society into employers and employed has existence."

Labor is the only measure and true title of property. Under the present system, the wage received by the producer from the owner capitalist contains a smaller quantity of labor than that which he incorporated in the product; the surplus goes to the owner. Thus accumulation of capital is based on withholding remuneration for a part of labor. Capitalist property thus acquired is sheer exploitation.

The existence of private property generates private interests, and the unequal exchange of labor and remuneration produces injustice and dissatisfaction. The entire machinery of government is organized to maintain this injustice. Capitalist society cannot be mended by piecemeal reform through trade unions, free trade, or political action. The existing order must be changed, but not by force, for force cannot generate social institutions. The ultimate remedy is the abolition of private property in favor of communal possession, with a universal duty of labor and equal exchanges.

But the present generation, reared in an unjust society, is unfit for a

new order at once. There must be an intermediate stage. This should be a confederation of joint stock co-operative societies in which all means of production would be owned in common through buying out the capitalists, and work would be remunerated in full by notes which would be issued by a national bank and entitle the bearer to goods valued in accordance with the labor which they incorporated. The joint stock modification, by admitting "*individual property in production*" along with a common property in productive powers, "is fitted to take society as it is, and to prepare the way for other and better changes." In fact, Bray took society so much as it is that he included a charge for rent in the calculations of the cost in each "company."

The key, he said, is the money supply. A national bank would create the circulating medium and issue it to the various companies in proportion to the number of members or the character of their occupation. With this money all individuals and companies would purchase commodities and transact their exchanges on the present principles of trade; and either by the imposition of a direct tax on persons or by percentages of commodities, sufficient capital accumulations would be achieved. "The money issued would always keep within the limits of the actual effective capital existing; and it would, like blood within the living body, flow equably through society at large, and infuse universal health and vigour. The money would always be at hand to pay for the labour—the labour would be ever ready to exert its power for this universal representative—and thus, while the money would insure the labour, the labour itself would insure the creation of the commodities which would be required for the money. There could be no confusion, no gluts—no want of employment—no poverty; but production, and accumulation, and distribution, and consumption, would be naturally adjusted to each other, and would harmoniously work out their common results."

Underlying the whole work was the familiar tradition that a majority can never possess the right to impose laws on the minority except such laws as have for their object the equal protection of general social rights, for "the protection of person and property" is "the chief end for which men institute laws."[21]

The Chartists regarded Bray's treatise as a standard work, and Marx highly commended it as one of the best "Utopian" socialist treatises.

But things were not promising in Europe, and so Bray returned to the United States in 1842. Here he was unnoticed, even by the so

called "laborite" leaders, and for a while he worked as a printer on both Democratic and Whig papers. But living was precarious. Workers, he said, are paid only a part of their salary at the end of the week. If business prospers they get their wages. This, he said, is in sharp contrast to the state of affairs in England. The Yankees appear more like gamblers and sharpers than honest businessmen.

His jobs did not last long, and the uncertain wages induced Bray to go West to Michigan, where he had inherited some land. He farmed for a while, but journalism was in his blood. He started to write another "reform" book, *The Coming Age*. He printed a few chapters as separate numbers, which were devoted to attacking Spiritualism; then he visited Boston to find a publisher but failed. So he continued to maintain a percarious existence as newspaperman and farmer.

Across the scene moved another figure who had first achieved notice in labor agitation in England. This was the Irish-born John Campbell (1810–1874).[62] He had been a weaver by trade; but, like a large number of the leaders, he managed to acquire facility with the pen and the spoken word.

Where Bray had emphasized co-operation as the remedy for labor's wrongs, Campbell stressed the achievement of political rights for the workingman as the first step in the emancipation of labor. Thus he became one of the great leaders in the Chartist Movement in its political phases, which demanded universal manhood suffrage, no property qualifications for members of Parliament, the ballot, payment for members of Parliament, annual elections, and division of electoral districts so that the number of representatives for a district were in a proportion to the number of electors.

Campbell became prominent with the establishment of the National Charter Association in 1840 and his election to the paid executive council. In a sense Campbell was the most important member, for he was secretary and as such had control of the funds. Like a good section of the leadership, he hated the Whigs more than the Tories. At the time, 1841–1842; the radical wing of the Whig Party, including such men as Francis Place and Joseph Hume, were anxious to get the support of the Chartists for a joint movement to obtain the repeal of the Corn Laws as well as the enactment of the political reforms.

But Campbell, in a pamphlet called *An Examination of the Corn and Provision Laws from their First Enactment to the Present Period*,

denounced the spokesmen for repeal as the greatest enemies of the laboring classes. He dedicated the pamphlet to the "agricultural serfs, and factory slaves of Great Britain and Ireland." He appealed to them as "fellow labourers. I am one of yourselves, a hard-working man, a Fustian Jacket, as [the great leader of the Chartists, Feargus] O'Connor terms us."

If the working classes could see that the interest of the workingman is the same in every country, the power of the oppressor would soon be destroyed. Campbell informed them that they were oppressed and robbed on all sides. He said: The parson robs you in the shape of tithes; the government in the shape of taxes; the landlord in the shape of rents; the shopkeeper in the shape of profits; the bankers in the shape of rag money; the masters in the shape of low wages; and the brokers and jobbers in the shape of speculators. "Each endeavours to have the power to himself of defrauding you."

The proponents for repeal are "the commercial interests or the profit mongers." It is "a struggle between the landlords and the lords of the long chimneys." The one thief seeks to repeal the Corn Laws to obtain more profits; the other thief wants to retain the Corn Laws to maintain high rents; while the "industrious classes are never thought of, except to be worked like horses, and fed like asses, both on the land and in the mills, in order that gold may be coined out of their sweat and blood, for their merciless task-masters."

The greatest enemies of the working class are the middle-class proponents of repeal. Repeal would enable them to cut wages to compete abroad and raise their profits, and in the process smash the trade unions. In fact, if there were to be complete free trade, as the repealers should logically demand, English labor would be further depressed in unemployment and lower wages. On the other hand, Campbell "proved" statistically, historically, and theoretically that the Corn Laws were enacted by social-minded sovereigns for the benefit of the working classes. "Brother democrats," he concluded, "keep united" and persevere by constitutional peaceful means, not revolutionary ones, until "you are admitted beneath the sanctuary of the law."

Meanwhile, with Manchester as the center, a general strike began in July 1842 and spread all over the country, ostensibly to prevent the further lowering of wages. Campbell, then on his way to a great Chartist Conference at Manchester to deliberate on dissensions in the movement, was amazed to see the chimneys of Manchester smokeless,

and with an oath declared, "Not a single mill at work! Something must come out of this, and something serious too."

But Campbell and other Chartist leaders, though asked for guidance by the leaders of the strike, instead did nothing. Nevertheless, they were arrested and charged with "sedition, conspiracy, tumult and riot" in the famous trial of "Feargus O'Connor, Esq., and Fifty-eight others," in 1843. Campbell, who in the court proceedings was described as a laborer, was among those convicted, but on appeal the verdict was set aside on a technicality. As in Bray's time, the Chartist Movement fell apart again, thanks in good part to internal dissension. Early in 1843, Campbell was accused of helping himself freely to small sums.[63]

Later that year Campbell appeared in Philadelphia and began a long career as bookseller and small publisher. Of course, he could not keep out of politics. As a Catholic and immigrant, he could hardly expect to find a place in the Whig Party, which at the time was in close alliance with a local "Native American" party. Like so many of the immigrant intellectuals, he became an ardent worker for the Democratic Party.

Hardly had he settled in Philadelphia when he was starting "reform" societies. In 1844 he was the first secretary of the Social Reform Society, then came others with such names as the Social Improvement Society. At the same time, he tried to control the Philadelphia labor movements. He became Greeley's Philadelphia correspondent in labor matters.

When the French Revolution of 1848 occurred, Campbell published a small book of 126 pages dedicated to Louis Blanc and other members of the Provisional Government for their endeavor to elevate the "proletarians" against the opposition of the "bourgeoisie." The book was entitled *A Theory of Equality; or the Way to Make Every Man Act Honestly*. Various aspects were further elaborated in communications to the *Tribune*.

The book appears to have been as much a bid for the workingmen to support the Democratic Party as it was a reformist tract. Under our present vicious speculating system, he wrote, a metallic currency is preferable to a paper one because it cannot be increased or decreased in order to deprive labor of the value of its product with the same facility as paper. Under a constitutional currency, cities would not have increased rapidly, but the country would have been more densely populated, and everybody knows that our agricultural popu-

lation is much happier than the urban population. At the same time, Campbell supported land reform as the means of thinning out the redundant city population which reduces the wages of labor.

The great ideal remedy or proper organization of labor, he concluded, is a system of national workshops. But it is to be achieved by voluntary arrangements by the laborers in each trade in each city and not by government control and operation. For instance, in each city the members of each craft would have a central workshop and branches to handle the work. Thus the bosses and vicious capitalists would be completely eliminated, and labor receive its full product.

In the ideal system, of course, there would be a currency based on labor notes rather than specie. There should be enough money to pay the laborer for all the surplus produce he chooses to sell to society. There ought to be enough money to employ all those able and willing to labor. But specie can hardly satisfy the need, Campbell wrote. There are five million producers in the country, with each earning on the average twelve dollars a week. Suppose they use a half to maintain their families, and the remainder is hoarded. Obviously there is not, and cannot be, enough specie to meet the demand and the saving. So the capitalists who control specie can play havoc with labor. Therefore there should be a national medium based on labor, deposited in national or central workshops. The only necessary control against overexpansion would be to regulate the amount of currency by the amount of capital produced, for labor is not opposed to capital, but to capitalists. All the moneys would come direct from the national workshops. Money would only be wanted by a person who was moving to other parts of the country because the money, representing so many days' labor, would enable the owners to obtain goods there.

Campbell was quite aware that this scheme of labor notes and labor organization was similar to Warren's, but he informed the public through the *New York Tribune* in 1850 that these ideas were not original with Warren, or for that matter with himself. "I obtained them twenty years ago from James Bronterre O'Brien," who was known as the great intellectual leader of the Chartists. "O'Brien acquired them from the French school of 1793," headed by Robespierre. And of course another was Bray, from whose *Labour's Wrongs* he quoted twenty pages in one sweep.

In a practical sense, labor unions should be organized for the purpose of raising capital for co-operative workshops and stores and

temporarily pushing land reform, Campbell argued. It was on this ground that he felt he and Greeley were together. In a letter in the *Tribune* in 1850, he declared that while he, Campbell, supported the Democratic Party, free trade, and a constitutional currency, and Greeley supported the Whigs, high tariff, and a paper currency, still the *Tribune* was the only journal which had "the moral honesty to proclaim in language distinct and truthful, that labor and capital can and will be made to harmonize together."

Labor organizations merely for raising wages through strikes and various restraints, he severely deprecated. Strikes, he declared, seldom accomplish the good the authors intend. He complained, however, that the trade-union people erroneously have the notion that "men who do not belong to a trade may use them, were they permitted to become active among them." [64]

As was true of so many of the so-called labor reformers, this former Chartist took the extreme southern attitude on the question of slavery. In his *Negro-mania; Being an Examination of the Falsely Assumed Equality of the Various Races of Men* (Philadelphia, 1851), he even denounced attempts to have English abolitionists speak before his reform societies on the ground they were feeding the fires of incendiarism and sedition.

Such views were in keeping with his support of the Democratic Party. And naturally he expected aid from the party. Thus in 1849 he appealed to the outstanding Democratic leader in the state, James Buchanan, for a loan of $327. He specified as a condition "that you will give me my own time to pay you." Naturally, he reminded Buchanan, "my influence with the working class is great," and concluded with the admonition, "I never forsook a friend or forgot a friend."

But the Democratic Party, like any large party, was composed of factions; and, though Campbell attempted to convince Buchanan that the faction which disliked Campbell was also hostile to Buchanan, the future President saluted Campbell as a "fellow Democrat" but thought it best to plead that he had already lent most of his money to other worthy persons in similarly bad financial circumstances.[65]

### GILBERT VALE: DISCIPLE OF PAINE

The "free-thinker" Gilbert Vale (1788–1866) was held in great respect among almost all reformers as a man of learning and genius, es-

pecially in the sciences depending on mathematics. Vale came from England to New York in the late twenties, when he was quite old, and became a sort of successor to the tradition of the *Free Enquirer* of Frances Wright and Robert Dale Owen.

Vale was an inventor, teacher, and lecturer on the whole gamut of physical and moral subjects, especially "free enquiry," in which he doubtless felt most competent because he had been intended for the ministry. Most of Vale's energies were devoted to publishing a host of short-lived reform periodicals and attending and lecturing before reform congresses and free-thinking societies such as the "United States Moral and Philosophical Society for the General Diffusion of Useful Knowledge." As his devoted friend Lewis Masquerier put it, "In all his writings and publications, he attacked the errors of religions and governments as well as those of the physical sciences." [66] But his reforms were in the spirit of Thomas Paine, of whom he, like Evans, was such a devoted disciple that he not only reprinted his works, but also prepared a biography.

From the start of his writing career in 1832, and irrespective of the nature of the publication, Vale was sure to run a series of articles on the true principles of political economy. These he finally brought together in 1841 as a forty-page supplement to his periodical, the *Diamond*, under the title of *Manual of Political Economy*. As might have been expected, it followed the tradition of free trade as understood by Paine and the Loco-Focos.

Economic and social evils arise from excessive government along with religious bigotry, he declared. While apprehensive of excessive banking in the sense of the Loco-Focos, he spoke of banks as falling under the useful category of inventions and discoveries. He denounced public works and demanded that such activities be left to private enterprise. "Whatever is useful has been performed by a private or company speculation." The increase of luxury among the rich, with the increase of wealth, is one of the best preventives to overgrown fortunes; for, though it "may corrupt individuals, it preserves the body politic from the influence of overwhelming fortunes and serves to distribute wealth among the people." Market price, he specifically stated in his journal, the *Mechanics' Assistant*, in August 1833, "is whatever an article will fetch, and . . . generally is the only and best rule that can be adopted; and upon the whole affords a more equal supply and general satisfaction than any other system possibly could." Perhaps the best description of his activities

in political economy was in his advertisement of one of his lectures in his *Beacon* on June 3, 1837:

> Society of Moral Philanthropists: Moral Lectures at Tammany Hall—Tomorrow (Sunday) morning, a lecture on Useful Knowledge; Subject, *POLITICAL ECONOMY;* addressed especially to Females interested in Housekeeping, but useful to statesmen, merchants, bankers and mechanics.

The "radical" literature at least had the effect of emphasizing the need for education of the masses, and for vitalizing learning in general.

## CHAPTER XXV

# The Higher Learning: 1829–1861

TO MEET the prevalent radicalism and the danger of extended suffrage, leading citizens took a great interest in extending popular education.[1] As in England, all sorts of popular educational organizations were established with the aid of the respectable. There were mechanics institutes, workingmen's libraries, mercantile library associations, societies for the promotion of useful knowledge, Christian Unions, lyceums. Judges, leading lawyers, politicians, college presidents, and clergy not only spoke before them, but also prepared proper reading lists.

Former Chancellor James Kent included in the reading list he prepared for the New York Mercantile Library Association, William Godwin's *Caleb Williams*. Kent said of the book: It is "a most interesting fiction; and the scenes are painted with prodigious force and strike the reader with awe and solemnity. But the story is a monstrous exaggeration, a libel on the laws and institutions of society. In 1796, the work was laid under the interdict of the imperial censor of Vienna." [2]

A big business was done in reprinting tracts published in England for distribution among the masses. The titles included *The Working-Man's Companion; The Results of Machinery, Namely Cheap Production and Increased Employment, Exhibited.* A good many of these tracts were either purchased or received as gifts by respectable citizens for their own edification.

More and more men of wealth and position wrote or subsidized the "proper" treatises. Wadsworth was anxious for a volume of Common School Lectures, to be read by the teachers at the close of the morning and afternoon exercises every day, on the principles of health, chemistry, political economy, and legislation.[3]

Leading citizens increasingly demanded that more funds be devoted to common-school education, lest the masses be led by wily demagogues. But few wanted completely free common-school education to go beyond the charity-school type, modeled on the Lancastrian method. It was still felt, as Condy Raguet and Thomas Cooper argued, that more than this would destroy the incentive of parents to be industrious so as to pay for a better education.

Archibald Russell, the New York statistician, thought that schools ought to be opened at night for "infant labor" in manufacturing neighborhoods, and a tax ought to be levied on those child laborers unable to read and write so as to serve as an incentive to parents to educate their children.[4]

Colleges also felt the stimulus as they sought to cope with the problem of declining student bodies and the competition of "upstart" colleges. Elective systems were attempted. Chief Justice Marshall's brother, Louis Marshall, while president of Washington College (now Washington and Lee University) at Lexington, Virginia, placed the two professors at the disposal of the students at all hours to discuss and recite on whatever the students chose.[5] Some attempts were made to start extension lectures and programs that would not require taking the classics. In the South as well as the North stress was laid on the need of teaching subjects that would appeal to men of industry and commerce. Moves were even made for graduate work.

Most promising was the establishing of New York University in 1832, ostensibly to provide both popular and graduate instruction. The chief promoter was a Presbyterian clergyman and former trustee of Columbia, the Reverend James M. Mathews. The promoters declared that Columbia was too closely bound to the Episcopalian faith and too aristocratic, and that in its adherence to the classical curriculum it was too old-fashioned to suit a thriving commercial metropolis. Albert Gallatin was induced to sponsor the organization and was made president of the governing council. He had long held to the ideal of a general system of "rational and practical education, fitted for all and gratuitously open to all." He was anxious to make New York University the first real university in the country free from sectarian

influence and open to the teaching of the newer fields of the physical and social sciences.

The college was to be a graduate school and at the same time spread knowledge to the community at large by popular lectures. In imitation of Oxford and Cambridge, the executive officer was to be a chancellor who would have as little voice in affairs as his English prototype, in the expectation that the autocratic control of the usual American college president would be eliminated.

The university was, however, organized along the familiar business lines. Following the example of the recently established University of London, it was set up as a joint stock corporation with a shareholder entitled to one vote in electing the governing council for every hundred dollars contributed. Where Columbia College stipulated that a gift of $15,000 entitled the benefactor to nominate a professor, subject to the approval of the administration, New York University reduced the rate to $10,000 with corresponding reductions in the nomination of scholarship holders.

But before the institution got fully under way, Gallatin found that his ideals were not likely to be carried out and resigned. After a series of internal disputes between the faculty and the "despotic" chancellor which led to the resignation of the faculty, the school settled down to being a traditional college. As Chancellor Mathews put it, the school is a "Christian university," and the "well-grounded claims of the Sacred Scriptures" must be set forth. Science is often "perverted to shut out our Maker from His world and from the mind of man." [6]

In 1857 Columbia experimented with graduate instruction, which would be open to the public as well. It provided for an elementary law division with one instructor paid by the fees. The premise was that if a large number of students were drawn to the school, it would be easy to induce them to take the other subjects in the graduate school and thus acquire that more elevated learning which it is the object of the college to provide. With the exception of the law division, the graduate scheme was almost stillborn for lack of attendance.

There seemed to be a hope for a truly national university when the Englishman, James Smithson, left $500,000 to Congress for the "growth and diffusion of knowledge." But after years of debating in and out of Congress on what was meant by the "growth and diffusion of knowledge," Congress finally decided to establish in Washington a combination of a popular museum of science, an art gallery, and a

library. Thanks, however, to the skill, vigor, and scientific reputation of its first director, Joseph Henry, something of a scientific institution was finally evolved, but this took years.

Leading schools began to pay more attention to the sciences, but only in the form of separate schools with separate degrees, as the Lawrence Scientific School at Harvard. Work in astronomy was beginning to be appreciated, but it was taking time for college heads to realize that the main function of telescopes was not to give visitors a peek at the heavens.

The colleges were at all times expected to hold fast to tradition—more accurately, to what was considered tradition by the dominant class. President Theodore Dwight Woolsey of Yale, nephew of Timothy Dwight, who taught economics along with other subjects, declared that colleges are accused of being immovable, conservative of useless and forgotten knowledge, and opposed to new science. But gradual changes occur. "They are such changes as time with his general irresistibleness works in whatever is not made but grows; in states and churches, and all things, which live not by infusion and propping up but by inward energy." They are rightly against the disturbances which render "the venerable forms of grey antiquity less venerable to the scholar." The usefulness of a literary institution depends on its antiquity and the stability of its system. From the regular progress of centuries it acquires a "set of maxims and principles resembling the habitual rules of a well-principled man." Thus membership in such an ancient society has a "powerful though a silent influence on character, to give value to objects of reverence, and to oppose violent and sudden innovation" in the social order.[7]

In the South the enthusiastic support of slavery became increasingly the great educational requirement as the Civil War approached. The chancellor of the University of Mississippi, the Reverend Frederick A. P. Barnard, New Englander by birth and training and a student of the physical sciences, stated before his trustees in 1860 that if he were unsound on the slavery question, it was their duty to remove him "from the position for which I am morally disqualified. But I am a slaveholder," he declared, and "if I know myself, I am 'sound on the slavery question.' " [8]

In the colleges history began with Genesis. The physical scientists certified that their conclusions agreed with the Bible. Cooper was an exception, but he appears in this connection to have been interested more in flaying the "bigoted" clerics than in science.

Louis Agassiz, professor of natural history in the Lawrence Scientific School at Harvard, was concerned not only with showing the harmony of his theory of the history of the universe with the account in Genesis, but also with showing that the latter attended—quite properly—only to the branches of the white race and nowhere referred to the colored people.

The Reverend Lyman Beecher, president of the Presbyterian Lane Seminary in Ohio, defended the classics on the ground that only by the mental discipline instilled by them could the spirit of innovation and leveling radicalism be prevented. But Loco-Foco Theodore B. Sedgwick told fellow Columbia College alumni that the college should pay less attention to the classics and more to modern language because of commerce.[9] And Governor George McDuffie called for a professorship of modern languages, especially French, at the University of South Carolina, on the ground that the state needed a class of well-educated native merchants to conduct its growing commerce and prevent the gains from going to northern towns.[10]

The Common Sense philosophy was still the ruling one. Jeremy Bentham had his devotees in the United States, but his apparently exclusive emphasis on the pleasure-pain calculus, and the greatest happiness for the greatest number without reference to a theological sanction, unlike Paley, made him appear dangerous to college teachers. Further, as the avowed intellectual father of the English "philosophical radicals" who were demanding the expansion of the suffrage to include more of the business classes, he was suspected, strangely enough, of preaching "democracy" as well as atheism.

The aristocratic Whig *New York Review*, edited by the Reverend Caleb S. Henry, professor of intellectual and moral philosophy at New York University, stated in 1837: "The name of Mr. Bentham is every day gaining increased celebrity as the rallying point of a new school in morals and the very 'loadstar' of a reformation in politics" in England, but in times like the present we should cling more closely to the good old-fashioned philosophy of the Bible, which demonstrates that by following duty one gets happiness.[11] Hildreth, who espoused Bentham's philosophy in his *Theory of Morals* and had made the standard translation of Bentham's *The Theory of Legislation* from Étienne Dumont's classic French version, found himself accused of being unconsciously a socialist.

Their pronounced agnosticism, along with their criticisms of aristocratic institutions, banned Herbert Spencer's *Social Statics* and

Thomas Buckle's *History of Civilization in England*, distinguished English works, from academic halls.

So again in the case of Auguste Comte. Praised highly by John Stuart Mill, Comte's work, especially the *Cours de philosophie positive*, for a period attracted considerable attention. His scheme of a hierarchical classification of the sciences and a corresponding hierarchical social order found admirers easily enough. One wealthy American youth, Horace Binney Wallace of Philadelphia, who committed suicide at the age of thirty-five, even provided a generous life pension of 500 francs a year for Comte. And there were other Americans to approve Comte's appeal to his disciples in all lands—that to "check communism" they should seek to turn everybody from "political agitation" and "strive always to strengthen authority." [12]

But when Comte, to complete his authoritative scheme, proposed an appropriate new religious faith with himself as high priest, he was instantly denounced as the greatest social incendiary of the age. A Harvard committee appointed to examine the department of intellectual and moral philosophy called for more emphasis on natural theology to combat the "specious and popular" works of Comte and Buckle.[13]

On the other hand, outstanding foreign works which combined extreme conservatism and a fervent espousal of accepted religion were assured a wide market—for example, the treatises of François Guizot, who when prime minister had Karl Marx deported from France. His *Cours d'histoire moderne* in its translated version, *History of Civilization*, was the most popular college textbook in history in this country.

Even that native son, Ralph Waldo Emerson, was somewhat suspect because he seemed to utilize the "transcendental" categories of the German "idealist" philosophy. But his "safe" views on the social order found him a large audience among those respectable citizens who wanted something more than mere dogmatic assertion to justify their common-sense truths. He asserted in his essay on "Politics," that inequality in property depends "primarily, on the skill and virtue of the parties." Reformers foolishly make property the center of attack, when they should be demonstrating their superiority to the institution by an inner regeneration. "No man deserves to be heard against property," he declared in "New England Reformers." "Only Love, only an Ideal, is against property."

Some serious interest in Kant began to emerge, but it was agreed

that his philosophy could have value only if translated into Common Sense. One writer said in 1857 in the influential *New Englander:* "What has long been needed," is that "some competent mind should give us in the language of [Thomas] Reid and [Jonathan] Edwards, the entire work of Kant, translating sentence by sentence and chapter by chapter, as they occur in their order, with here and there such short footnotes as might be necessary." Then we could judge whether Kant is "worth anything or not." [14]

Leading this movement to fit Kant under Common Sense was the Reverend Laurens Perseus Hickok, vice-president and professor of mental and moral philosophy at Union College. He used enough of the language of the German idealist philosophy to be charged by some theologians with pantheism and atheism, but his work acquired standing as the best treatise in intellectual and moral philosophy for the more skilled teachers of Common Sense.

For advanced students in philosophy, Hickok prepared *Rational Psychology*. This was a "transcendental philosophy" which assumed to see by a clear intuition the necessary conditions of all thinking, and therefore enabled the thinker to affirm that things must be as they are, by "a rigid *a priori* analysis and deduction in pure thought." But beginners in philosophy, he thought, should start with "experience" and work up to the "ideas" which control the facts. This constituted *Empirical Psychology; or, the Human Mind as Given in Consciousness*. Its standpoint was that "the criterion of . . . reality is the clear testimony of consciousness." It began with a discussion of anthropology to show that unchanging common sense is the unquestioned and necessary beginning of all thinking and to rule out as not properly belonging to mankind those who do not possess this common sense. "The only way for man to know himself and his fellows is carefully and thoroughly to study his and their common experience." The common sense may be attained in various ways: from the languages, law, manners and customs, proverbial sayings, and the literature and history of the race. If any person "allege a consciousness different from that of mankind in general, this can be no matter of any farther concern to us; for if it were true, it would only prove that he was *alterum genus*, and that any facts which were peculiar to him, would be of no account in a system which embraces those only of our common humanity." It naturally followed that those who did not accept the accepted traditional principles of action were *alterum genus.*

The first psychological principle is that man, being a creature of

appetite and desires, is self-interested. This leads to all the beneficent feelings connected with the "*acquisition and possession of property*."

Then the student was ready for Hickok's *A System of Moral Science*. Rights are simple, immutable, and universal, grounded on the intrinsic excellency of spiritual being. Honesty is based on the principle that "morality demands the kindness which has already been made obligatory by the previous kindness received." Thus "many a wealthy and powerful man has been greatly inconvenienced because the service expected and paid for was not rendered." Therefore the civil law is the constraint of individual choice "by *state sovereignty, for the end of public freedom.*"

This did not imply popular sovereignty, for only in proportion to the intelligence and virtue of the people is the sovereign people the best guarantee of public freedom. In proportion to the depravity and ignorance of the people, "a popular government is the most destructive of public freedom." Nothing is more tyrannical than an "excited passionate populace" in this case, and "for freedom's sake" the sovereignty might rightly be vested in a despot. But government cannot legislate in violation of property rights, since the individual's freedom in the pursuit of happiness is controlled by the imperative of freedom to do that which is essential for attaining his highest moral worth. Such rights cannot be surrendered by the individual, and if the state passes legislation against them, "the government in its judicial capacity should declare the law a nullity. . . . What a man produces is ethically his. Irrespective of all civil legislation, a man might thus attain the natural right to personal property, and so far as he could mingle his own products with the soil, he would by cultivating the earth and building upon it attain a natural right to real estate."

The state is the supreme proprietor, but the state cannot righteously take property without paying full value. The state may say how long an individual's copyright or patent may last until the public acquires his property, but there is a tendency to "too summary and arbitrary actions" in these matters. "The interest of the public in appropriating all new inventions and discoveries for its benefit, and the ready combination of the many against the few, makes it incumbent upon the state to guard with special care the interests and rights of the discoverer."

Further, the state may never use any property as a great government monopoly, such as competing with private business enterprise. The state cannot make itself the whole, for it exists for the freedom of

the whole. Therefore, it must not compete against any of its parts. It should only interfere in internal improvements in cases where individual or corporate action is unavailable. Likewise the authority of the state might be applied to the regulation of commerce, but only in such cases as a tariff.

Similarly, the state is to regulate money and banking in accordance with the needs of the commercial community, which is the same thing as the "end of public freedom." Thus the precious metals adjusting themselves to the needs of business transfer furnish the best standard of value. Labor cannot furnish such a standard because labor itself can only be estimated by its comparative products.

Hickok discussed the industrial classes in the concluding section of *Moral Science* under the title of "The Duties of Servants," both voluntary and involuntary. The former, including hired servants, bound servants, and indentured apprentices, were persons held to service by consent and thus by contract. The contract was the entire ground of claims on either side. Slavery was involuntary servitude, and Hickok treated it in a manner satisfying to the many southern students that attended Union College.

The poor will exist at all times because of misfortune, sickness, and vice, he declared. The state "should so legislate for the poor as to discourage idleness and vice." Furthermore, since the poor are not merely the propertyless, but all those in want, the rich may in many cases be far poorer. They may have more distressing wants than those who beg from door to door.

At a somewhat lower level, and consequently more popular, were the able treatises of the Reverend Joseph Haven, professor of mental and moral philosophy at Amherst College and later professor of systematic theology at the Chicago Theological Seminary. Daniel Webster was his idol. He praised Webster's opposition to the "high-handed" financial measures of the Jackson Administration and the Van Buren dynasty. Webster, by his famous seventh of March speech in favor of the Compromise of 1850, including the Fugitive Slave Law, was trying to save the Union, Haven declared; but for his pains he was returned home "with impaired health and a heavy heart, neglected and dishonoured by his ungrateful country." Webster's laxity in paying his debts, though it presumably violated the accepted morals laid down by Haven, was to be excused on the ground that "the all-powerful dollar was not to him . . . the greatest good, nor the chief end of man upon . . . earth." [15]

Haven's *Mental Philosophy* followed a familiar pattern. Man is the puppet of circumstances, which impress their influence upon him by way of pleasure and pain. Thus the "self-regarding" passions are the motive power to action. The basic desire is for happiness or self-love, which has its "foundation in the constitution of the mind and which is characteristic of reason and intelligence." The greatest pleasure of man is to exert power—that is, to "control the actions of his fellow man and bend the will of others to his own." This desire for power takes the form of a "desire for superiority," otherwise known as "the principle of emulation." Today this superiority is attainable principally by the "possession of wealth. . . . This, as the world goes, is the key that unlocks, the sceptre that controls, all things. . . . No wonder that he who desires power should desire that which is one of the chief avenues and means to the attainment of power, and that what is valued, at first, rather as an instrument than as an end, should presently come to be regarded and valued for its own sake."

In his textbook, *Moral Philosophy*, Haven stated: The general consciousness reveals "that the desire to possess, to appropriate," is a native principle of the mind. "Man has not only the right to life and liberty, but also to property, or the possession and enjoyment of whatever he may, by his own industry or good fortune, or the gift of others, have honestly acquired." Labor constitutes the right of property. Should it be objected that "we possess many things which we call property, on which we have not bestowed labour—many values which we have not ourselves created, as for example, property, inherited or bequeathed, I reply, these values were originally created by labour; they became the property of the original owner in that way, and the right of possession has been conferred by him on the present possessor." Therefore, the rich man has "a claim and a right to all that he calls his."

The merchant's honesty consists in selling at the market price. Deception is selling above the price in all markets. Thus Haven could see no dishonesty in a merchant's buying up and monopolizing an article in order to raise its price. The transaction is free and open, he said. The article is offered at what is for the time the market value—that is, it cannot at the moment be obtained for less in the markets.

The state has the duty of encouraging every branch of honest industry, every pursuit which is not clearly incompatible with the public welfare; but it should "never interfere with private enterprise"

nor deny the right of any individual to labor at any profession he chooses.

He was aghast at Hickok's view that the state is the supreme and ultimate proprietor. Such a view, he felt, might lead to merging all individual rights and liberty into rights of the state. So Haven restated the argument, stripped of German metaphysics. In reality, the state enforces no rights to property which would not have existed in the absence of a state. It confirms existing rights, regulates the sales and transfer of property, inquires into the validity of contracts and enforces them, but it "is merely a social organization" for the purpose of more effectively maintaining the rights and liberties of the whole body of individual citizens; "in other words, the public good."

But the public good is threatened by the despotism of a turbulent democracy. He pointed to ancient Athens, where in spite of Solon's salutary checks on the unrestrained liberty of the mass, including restricting office to men of wealth and establishing courts and a senate, "the popular will triumphed over all restraints of constitutional law," and a military despotism resulted.

Typical of the general run of teachers of moral and mental philosophy was the Reverend Lyman Atwater, professor of metaphysics and moral philosophy at the College of New Jersey and author of a widely used textbook on logic. "Civil government, the family, tenure of property," are "great ordinances of God for the social regulation of man." True progress must be based not upon skepticism, but on stability. "Women's rights" would reduce society to heathenism and barbaric degradation. As so many did, he traced disturbing ideas to the atheistical French Revolution, but said De Tocqueville's *Democracy in America* is the antidote to those "striving to leaven the Christian republicanism of America with an infusion of European socialism and red republicanism and to retouch the Christianity" which has been the glory and defense of our institutions "with the chameleon hues of German transcendentalism." [16]

Atwater was especially disturbed because businessmen paid so little attention to the Bible. Few appreciate the great increase in mercantile business and power in recent years with the advance of civilization. Bankers have become the potentates of the land and the Exchange, as in England, is "the real seat of empire." Government depends on bankers for the sinews of war, aggrandizement, and internal improvements and goes to Wall Street to turn its obligations into money. Wall

Street supplies the funds for the great corporations such as railroads. These corporations are more potent than any legislation. Their power is immense and ubiquitous. They justly claim pre-eminence, for their lower costs of production have increased output and commerce.

Another great factor in increasing trade and commerce is the great increase in population through immigration as well as natural growth. Immigrants create the fortunes of the merchant princes, perform the menial services, and increase the producers and consumers. The greatest stimulus is the gold discoveries which supply the necessary increase in the medium and, by raising prices, give vigor to the other causes of this unexampled commercial activity and prosperity.

But the growth of business has created some dangers. It has meant the growth of poverty alongside of wealth. Since wealth is acquired by the skillful use of the labor of the poor, the growth of cities and opulent capitalists has meant a greater increase in the dependent class, which lives solely on its daily labor. Poverty increases side by side with great wealth because, tempted to vice and lust, "the lower class tend towards savage and even bestial debasement. . . . The avenues adorned with lines of palaces which dazzle us by their splendour, and confound us in view of the unmeasured affluence of which they are the symbols" are only a moment's walk from the shanties and caverns where starvation, pestilence, infidelity, heathenism, drunkenness, debauchery, and crime "make a hell on earth."

The Christian merchants must therefore engage in an extensive scheme of home missions to preach the gospel effectively to "the poor, the degraded and the outcast" if society is not to be destroyed by the eruptions of the barbarian hordes within. The case is complicated by the fact that the lower strata of the city populations are mostly foreigners who are either bigoted papists or infidels and socialists.

Atwater noted that modern business with its fierce competition leads to fraud, slander, and false measures on an increasing scale; but a worse effect is that merchants neglect attending church services on the Sabbath even though they are "guiltless of the infidelity of not taking care of their own." The greatest evil is that the growth of large establishments results in leaving the apprentices and clerks to live by themselves instead of in the homes of their superiors where they could be properly reared. Merchants' neglect of this stewardship is reprehensible because from "this most interesting class" will come the future merchant princes, in whom is bound up the most precious interests of society and the church.[17]

In the South textbooks with substantially the same views were used. But as the northern works continued to view slavery as a necessary evil and not an absolute blessing, southerners began to prepare their own treatises.

Economics was still somewhat suspect because of its "materialistic" tendencies, but even the churches began to realize the need of greater spreading of sound teaching of economics for the people and future ministers in the problems of population and poor relief. This was partly due to the example of the Reverend Thomas Chalmers in Scotland, who while professor of divinity at the University of Edinburgh, lectured his students on economics and emphasized that the ills of the poor are not due to the avarice of the landlords, but to their excessive numbers. Embodied in a textbook, these lectures found favor among economists and the clergy in America as well as in the United Kingdom. *The Annual,* issued by the Presbyterian Church of the United States for Presbyterian students in 1835, contained a similar discussion under the title of "Moral Relations of Political Economy." Sunday School unions distributed tracts on "sound" economics for the industrious poor which were reminiscent of Franklin's *Poor Richard.*

The turmoil over the tariff, the bank, and related issues created a great interest in economics, especially during Jackson's reign. Bryant read the standard works to be better equipped to fight for the cause of Jackson, free trade, and sound money in the press and on the platform. Men in every field of inquiry wrote, lectured, and debated on economic issues. Lectures on economics were given before all types of organizations of respectable citizens. McVickar chose economics to start his extension lectures at Columbia in 1831 rather than any other subject, because, he said, "it is one on which much practical ignorance prevails in the community which is a serious evil when we consider that many and important duties of a citizen require a knowledge of it."

Orators at college literary societies praised its virtues. "The burden of its exposition is the complex harmonies of the association of men," thundered an orator before the Belles Lettres and Union Philosophical Societies of Dickinson College. Older works on the subject deal primarily with nomenclature, he said; recent speculation concerns itself more with the equally important aspect of inferring "principles of sound prudential and lucrative policy. It is the associate of the moral science of Government." [18]

Academies throughout the country began teaching the subject.

More colleges specified in their catalogues and announcements that economics was being taught. Interest in the subject became so widespread that a controversy occurred in Raguet's *Banner of the Constitution* as to who first taught economics in the American colleges. Thomas Cooper claimed that he did, but anonymous "New Yorker" claimed the honor for John McVickar.[19] The honor was at best formal, for not only had economics always been taught in the course on moral philosophy everywhere, but also nowhere was much time given to it.

Where the subject was not taught by the professor of moral philosophy it was taught by men who considered their other courses, and they might be anything, more important. In some institutions a separate chair of history and political economy was established, but the "history" part, which included politics, was considered the really worth-while subject. At others, as at Marietta College, Ohio, there was a chair of "Rhetoric and Political Economy," and this generally meant that whatever accomplishments the incumbent possessed were in the realm of oratory and belles lettres, and not in the social sciences.

The academies and the respectable lay world were on the lookout for a text in economics that would teach youth and the "workingman" the sound truth of the present order.

Jane Marcet published a second book, this time for workingmen, under the title of *John Hopkins's Notions on Political Economy* (1833). It received some attention here, but the work by another Englishwoman caught the popular fancy. This was Harriet Martineau's *Illustrations of Political Economy* (1832–1834), in which the orthodox principles were illustrated by romantic tales of fiction. "Even the apostles of orthodox political economy like John Stuart Mill shivered as they watched Harriet translating each article of the Ricardian creed into terms of human experience with a fidelity that they found embarrassing," a biographer wrote. Mill was "obliged to agree that the Tales carried the doctrine [of *laissez faire*] to ridiculous lengths." [20]

But the *Illustrations* made Harriet Martineau a celebrity in America as well as in Europe. Her tour of America in 1834–1835 was a grand triumph until she associated with abolitionists and denounced slavery. Her support of the abolitionists and her castigations of the "aristocratic spirit" of Harvard in her *Society in America* hardly increased her personal popularity among the respectable, but her *Illustrations* continued to enjoy a tremendous vogue.

Whatever the disagreements among the "schools" of economics, there was a concrete premise accepted by all. As the article on political economy in the *Encyclopædia Americana* put it: "All writers agree in the doctrine that security of property is essential to the accumulation of the products of labour—that is, wealth, for no one will save what he has no reasonable assurance that he shall enjoy; and it is also agreed by all that accumulation . . . is necessary to the productiveness of labour."

Gulian Verplanck was still busy trying to "sell" Ricardo to the practical businessmen and those aspiring to be merchants. While a member of Congress he informed the Mercantile Library Association of New York in 1831 that he was deeply indebted to Ricardo for "the discipline and improvement" of his own mind. "The English banker in hours borrowed from the turmoil of the Exchange and the stock market" was the first to give to political economy the precision and certainty of a science. Possessing great talent for philosophical abstraction and bold logic, he deduced the principles of value and exchange which, superficially contradicting particular facts of experience, appeared "to the careless or prejudiced reasoner" as paradoxes or palpable errors. But when those general laws and abstract principles "are correctly applied to the actual affairs of life," then we "acknowledge in Ricardo the true union of the sagacious man of business and the profound philosopher." His works always lead to the most practical conclusions. "They have formed a new era in the science of enlightened political administration and . . . Ricardo is destined to be the guide and instructor of future statesmen, and the legislator of all well-governed nations." When the government, the capitalists, and the talent of Great Britain deceived themselves and the people on the depreciation of bank paper during the suspension of specie payments, it was Ricardo who dissipated that delusion by the clear evidence of reason and fact, proved the mischief it was producing, and pointed out the remedy.[21] But elsewhere at the time, Verplanck was defending the Bank of the United States, so he did not mention that Ricardo objected to the Bank of England and that his objections applied to the Bank of the United States to a greater degree.

Protectionists, of course, were always carrying on a running battle against Ricardo and incidentally misinterpreting him in the process. Oliver Putnam, the Boston industrialist and patron of charity schools for the poor, asserted in his *Tracts on Sundry Topics of Political Economy* (1834) that Ricardo's doctrine that profits come after

wages is the reverse of the truth. A tariff, by increasing demand and thus raising prices, increases profits. This in turn increases the demand for labor, and thereby raises wages and makes for a more equal distribution of wealth.

Even Adam Smith came under deep suspicion. Richard Hildreth, in his *Theory of Politics* (1853), traced the socialist demand in Europe for an equalization of wealth to "the mistaken but famous dogma of Adam Smith that labour is the sole source of wealth."

As the period closed, the great authority was no longer Adam Smith or Ricardo, but John Stuart Mill. His *Principles of Political Economy With Some of Their Applications to Social Philosophy* was reprinted in the United States immediately after its appearance in England in 1848 and received enthusiastic praise. As an up-to-date edition of *The Wealth of Nations* it became the standard authority. Its lucid style and "ethical flavour" made it acceptable to many who found Ricardo dry and abstruse. The "practical applications" were sufficiently vague to make them authoritative to respectable people on different sides of raging questions. Though Mill was a free-trader in principle, he allowed enough exceptions to satisfy any protectionist who wanted to claim the authority of "theorists," and his views on monetary questions were sufficiently broad to include both the quantity theory of money and grave doubts as to the Banking Act of 1844 which severely limited the Bank of England's note issue in excess of its specie holdings.

Its great disadvantage as a text was its size. The eminently respectable Reverend Leonard Bacon wrote in the *New Englander* in 1849 that, if Mill's treatise seems too voluminous to be used as a class book, "it should nevertheless be studied by the teacher; and its rich stores of historical and statistical illustration should be largely employed in the discussion of those questions which must be discussed in the process of teaching." [22]

Even the critics of Mill agreed in the last analysis with his underlying social philosophy. Samuel Osgood, in a review in the *Christian Examiner*, said that the chief value of political economy has heretofore been negative rather than positive. It has imposed a powerful check on the error of undue interference with the production and exchange of wealth alike by its historical lessons, its ample statistics, and its close reasoning.

It expects more from opening free paths to individual enterprise than from attempting to adjust the interests of labor by legislative

control, and looks primarily to the general culture of the people as the means of their social elevation. As Mill said in his *Logic*, it has chiefly busied itself with the statics and neglected the dynamics of society. It has discussed existing tendencies rather than pointed out the needed power. But "what forms industrial improvement is ultimately to take we do not profess to decide. We cannot hope for the discovery of any social mechanism so perfect as to regenerate man and society by an ingenious apparatus of circumstances." Still, since the United States is "a land of boundless opportunities," Osgood felt that "we may hope and strive for the best." [23]

But few doubted that as America grew older she would take on the characteristic form of the powerful European nations. Said John McVickar in his anonymous *An Essay Upon the Principles of Political Economy:* Designed as a Manual for Practical Men (1837): "In old and thickly peopled countries, ordinary or day labourers can obtain but little if any more for their service, than their support." And this will occur in the United States as the country advances and the proprietors and workers of the land become two distinct classes.

No one seriously questioned that political economy was the science of a "free and commercial people, and accordingly it was in England, then the freest of commercial states, that it was first intelligently discussed." [24] But though American writers and teachers might continue to venerate the great English authorities, even as they often criticized them, still their own productions bore the stamp of their own specific approaches to the issues of the American scene.

There was considerable interest in the allied subject of statistics, especially after President Van Buren suggested in 1839 that the census of 1840 might be extended by causing it to embrace authentic statistical returns of the great interests necessarily affected by the legislation of Congress.

Archibald Russell at this time published his *Principles of Statistical Inquiry* for the proposed census. If any science ought to be inductive, he wrote, it is economics. But, predicated upon false and insufficient data, it has only fallen into disrepute. If political economy as a science is to regain its position, it must be by laying a more solid and sure foundation and by raising the superstructure of theory "upon a basis of facts 'not drawn from the imagination' " but from patient statistical investigation.

However advanced we may appear in promoting the physical com-

forts of all classes of the community, the details of our present social organization are utterly unknown, and the writers in another century who wish to draw an accurate picture of our present conditions must pursue the same means as we must at present use in depicting the manners of the eighteenth century. We have no facilities for estimating the effects which the increased civilization of the world has had upon the minds, the longevity, the social happiness, or domestic habits of our race. Since we are ourselves utterly ignorant of the present condition of the country, we cannot anticipate that posterity will be better informed.

"The subject of statistical inquiry is not abstruse" and difficult of comprehension; any man competent to transmit the most ordinary affairs of life may be an efficient agent to obtain the data. The only important qualification is that he be an honest man.

The census of 1840 was so full of errors that the recently organized American Statistical Association of Boston felt that the whole work should be thrown out. Yet even its concern was primarily with errors in "nosology" (disease) and education, such as the scandalous underrating of lunatic paupers and the overrating of the number of colleges and students.

But for the first time a census included some returns on industry. Though the information asked was little enough, the opposition was considerable. Counties in some southern states refused to make returns. A leading journal asked, "Is this Federal prying into the domestic economy of a people a precursor to direct taxes? Is nothing to escape its inquisitions or its tax gatherers? Is it worthy of the dignity and high functions of the Federal Government to pursue such petty investigation?" Except for the determined effort of statisticians throughout the country, these so "minute and objectionable investigations" would have been dropped from the census of 1850.[25]

Opinion of the census of 1850 was summed up in Senator Hammond's reference to "the trashy census books." [26] Despite constant demands that the census be a permanent enterprise, it continued to be a temporary affair every ten years.

Of course, there was no end of demands for more and better statistical data for specific partisan ends. A southern commercial convention in 1839 interested in raising the price of cotton adopted a resolution favoring an annual gathering of information on the cotton crops of the United States and set up a committee to prepare a plan for doing so.[27]

In South Carolina a legislative committee called on the state to establish a bureau of statistics to develop the state's resources. Agriculture, reasoned the committee, is the basis of our social fabric, but agriculture in the scale of civilization is only once removed from the hunter state of the savage, while commerce, manufactures, and mechanical arts are the offspring of a high state of civilization. Since we do not know at which points we are really strong or weak, a bureau of statistics to collect information would be extremely useful.[28]

In 1851 "Farmer" complained in the *Merchants' Magazine* that reliable data appears to be of the least possible consequence to the businessmen of the country. Otherwise political facts and figures and political economy would be investigated with greater attention and profit. The vast discrepancies in the estimates by government and individuals as to the value of the productive industry are fantastic. Surely they cannot all be right in their facts, to say nothing of their conflicting theories. "It is time the humbugs in statistics were exploded, if we are ever to place the science of Political Economy on an enduring basis. Politicians have made a packhorse of this most useful study long enough." [29]

## CHAPTER XXVI

# The Northern Free-Traders

### THE REVEREND JOHN MC VICKAR: WHIG RICARDIAN

THE great free-trade tradition was still, at least formally, the most prevalent in colleges and in respectable circles. At Columbia University McVickar still saw to it that the students thoroughly absorbed Ricardo and free trade, but as usual it was a brand of Ricardianism that Ricardo would hardly have recognized as his own, judging from what the students faithfully took down in their notebooks. Ricardo, it turned out, was sounder than Adam Smith because Smith failed to see the economic universe as one great harmony.

This was the way McVickar handled rent as reported in a student's notebook:

Smith: It has been maintained by Smith that "Rent is the payment demanded by the Landlord, in return for his Monopoly Right."
Ricardo: On the other hand, Ricardo maintained that "Rent grows up with, and arises from the Wants of Society."
Decision: Ricardo is without doubt Right.

Another example was "The Relation between Capital and Labour."

Smith: "Capital and Labour are distinct and opposed in their nature and laws."
Ricardo: Capital is only Reserved or Dead Labour.
Decision: The Analysis of Ricardo is Correct. Capital is only Reserved Labour.

The "Nature and Origin of a Glut in Market" was explained as follows:

The fact is daily seen, that whenever the price of an article falls below its remunerating Value, there is at once a Glut.

The Cause of Glut

Smith says there is too much raised of it. And this appears conclusive.
Here again Ricardo says Smith had looked only on one side. The Demand of Society is unbounded for everything. The cause of Glut only a misdirected production, not too much. If, therefore, all production advanced equally there would be no Glut.
Decision: The latter speaks true, but the truth is Metaphysical more than practical.[1]

The classroom, as before, absorbed relatively little of McVickar's energies, though he taught a host of subjects from English composition to the evidences of revealed religion. As chaplain at Governor's Island, superintendent of the Society for the Promoting of Religion and Learning, and a trustee of at least ten religious organizations, he had opportunities of which he took full advantage to expound sound economics. He even reached out to the lay public not only with publications, but also with a series of public lectures on political economy in Columbia's new program of extension courses in the hectic year of 1830.

Here as elsewhere he sought to inculcate those principles he thought would make for pecuniary success and safeguard prevailing institutions. McVickar maintained in the introductory lecture that economics has many moral recommendations, for it demonstrates to

ignorant and vicious man that there is no easy short-cut to wealth. Observation and experience testify that the "turbulent agitator, . . . and the candidates for prisons and penitentiaries" are found among those who never engaged in the steady pursuit of wealth and do not realize its pleasures. The savage ceases to be savage as soon as the honest acquisition of wealth becomes a motive. Therefore the knowledge that facilitates the acquisition of wealth and guards against its loss is a moral science, and of use to all classes from laborer to banker.

Economics as a science is attached to no party, for it "demonstrates the mutual and indivisible interest of all classes." In the diffusion of economics lies the safety of the nation's institutions. It leads to the increase of educated and independent politicians and citizens. Upon the extension and influence of this neutral educated class rests the future safety of the country, with the growth of universal suffrage. In European monarchies such a class is unnecessary because old opinions and hereditary aristocracy provide a balance. But in the United States danger is intensified by "the dark machinations of many who have imported with them from abroad the bitterness and malignity with which they have there learned to regard not only power and wealth, but religion and moral discipline and the institution of marriage, and the sacredness of property, and whatever else . . . which gives to society its safety, its dignity, and its comfort."

In the preface to the English edition of the lecture, which appeared at the time that the English commercial classes were struggling to extend the franchise, McVickar was more direct on this point. The lecture will be of use "at the present critical moment in England," he declared, because "it may serve to moderate the hasty zeal of its theoretic reformers to find, that there are governments where the evils, felt or dreaded, arise from the very opposite quarter to that which here excites all their fears." He pointed to the monstrous proposition of the Senate of South Carolina that $100,000,000 paper money be issued as a national currency as a means of equalizing the exchanges.

McVickar's examples were in fact hardly illustrative of legislative favoritism for poor "agrarians" or workers, but they were useful in impressing his respectable audience with the awful necessity of not tampering with existing financial institutions, especially the recharter-ing of the national bank. A knowledge of the science, he said, is also useful in solving other problems. For instance, could not peni-

tentiaries be a source of income, as they are in some states, instead of a source of debt? Could not poor relief be reduced by effective workhouses?

Finally, since the viewpoint of economics is freedom of labor, enterprise, and capital to achieve the greatest national wealth, no field of enterprise should be discriminated against, least of all commerce, declared McVickar. Going on facts "and finding from them all that tends to exalt, refine, and give comfort to man, growing up under the patronage of commerce, and united within its bounds, I cannot but reverence the claims of commerce as something *holy*." It would "ill become the son of a merchant" and a native New Yorker to speak lightly of that which is the basis of her prosperity, he added.[2]

In the height of the Jacksonian hard-money struggle in 1835, McVickar published a primer of ninety small pages for the primary and common schools, called *First Lessons in Political Economy*. The book sold for twenty-five cents and went through numerous printings. There was even a Chinese edition.

The fundamental principles of political economy, McVickar declared, are after all simple truisms which a child in the nursery can understand. Like his earlier treatise, it was built around an English text. This time it was Archbishop Richard Whately's *Easy Lessons on Money Matters* which that good English Episcopal clergyman had prepared for Sunday Schools. McVickar felt that mere republication would not do. Aristocratic though McVickar might be, he could hardly expect the mass to think well of such statements in the original as: "Of course [it was] not expected that *many* poor men should become rich." But McVickar did retain the whole of Whately's first lesson on the great advantages of money, and much of the remaining lessons.

There was even a lesson on value and one on price. The youngsters were told that value is determined for most products by cost of production, and for the others by scarcity. They were warned of the reduction of wealth that must result from attempts by law to equalize distribution of wealth or to check individual accumulation of wealth. A lesson was devoted to the inequity of redistributing land. Redistribution, he wrote, would weaken men's incentives to work and save, and thus the capital for employing would be reduced.

The professional classes are not in the category of unproductive labor, as Smith claimed, McVickar reiterated. Without lawyers there could be no law; and if there were no law, then fences would be

broken down and no one would work. Without clergymen, men would be ignorant and wicked, less honest, diligent, and sober.

The poor man, if he is virtuous, industrious, and economical, is just as happy as the richest man in the country, and almost as independent; he wants only health, which God alone can give him, and the means of work, which in "our country are not often wanting to any man who wishes it." Therefore government should aid only the sick, aged, and infirm. For the others private relief is better, for the same money will go further. Since the poor have no right to claim relief from individuals, the evil of the poor laws would be avoided. Finally, private relief binds together rich and poor and makes them who have the means better Christians by leading them to follow their Saviour's blessed example "of going about doing good."

While the Democrats remained in power in the thirties, McVickar refrained from any detailed discussion in print of a plan for a national bank. Writing anonymously in the Whig *New York Review*, he said that he would present his proposals for a national bank at an appropriate time, though he did say that no actions of the bank justified the "ruthless war" Jackson waged against it. Instead, for the time being, McVickar sought to inculcate in the public mind the necessity of proper banks and especially his "free-banking" views.

The national prosperity hinges upon banks, he said. Being functions of credit, banks grow up with the advance of a freely expanding currency. They could no more be eliminated when society has come to the stage that demands them, than could any other form of labor-saving machinery. The question of banks is settled; the day of hard money and no credit is gone beyond recall.

But any participation in bank management by the government is pernicious, for the only good bank is a commercial bank uncontaminated by the government's multifarious interests and objects, personal, political, and financial.

The passage of the New York Free Banking Act in 1838, which he advocated, led to a flood of "broken" banks. But McVickar declared that the Act contained sound principles unsoundly carried out, because bonds and mortgages, not being convertible at will, were not true security for bank notes. "Nothing but market stocks, convertible and unquestionable," can achieve the true end of the Act. The incidental evils could be remedied by national regulations in the form of a national bank. In this country of many legislatures, a national bank alone can neutralize all the dangerous and false bank-

ing schemes of the states and make bank notes throughout the country the safe counters of wealth.[3]

Immediately after the election of Harrison in 1840, McVickar redeemed his pledge to publish his plan of a national bank. He first vigorously defended the political activities of the second Bank of the United States. He granted that the bank had played politics and wielded pressure against the Administration for refusing to renew the charter. But the bank was driven to its tactics by the Administration, which was depriving the country of a needed instrument.

The bank's strength, which was almost sufficient to overthrow the Administration, was not the "strength of legal incorporation but . . . of a national want." If this had not been true, the bank, as a bank, would have fallen powerless. The party that rallied to it was not its party, but the country's, as events have shown. The Administration had no right to refuse a charter, and the bank was "entitled by right, too, in practice to fight to the last for its and the country's rights." The subsequent activities of the bank as the Bank of the United States of Pennsylvania should not be considered. But all such maneuvering by Biddle and the bank proves the direct reverse of what political prejudice "or childish fears would draw from it, namely, its *necessity*. Its tenacity of life is but the test of the value of its life to the country, and a proof that the nation would not willingly let it die."

A national bank is essential as a fiscal agent of the government, as "a regulator of the currency and as an engine for equalizing both foreign and domestic exchanges. It alone can check the state banks, and the national bank is checked not capriciously but necessarily by that which is and should be the final regulation of all monetary institutions, the state of our international exchange."

The constitutionality of the Bank of the United States was conclusively "proven" by Hamilton with his doctrine of the sovereignty of the federal government—namely, that "every power vested in government is in its nature sovereign, and includes a *right* to employ all the means requisite . . . to the attainment of the *ends* of such power." But McVickar was careful to add what he called Hamilton's "guarding clause"—that the government cannot do what it is precluded from doing "by restrictions and exceptions specified in the Constitution, or not immoral, or not contrary to the essential ends of political society."

The scheme outlined by McVickar was for a banker's bank. The national bank would have the sole power of issuing notes; to the

local banks would be left the safer and rightful business of banks—discount and deposit—and circulation of the national bank's paper. Letting the national bank issue the notes would be profitable to all good banks because the national bank would lend the notes at 2 or 3 per cent interest to the local banks. It could do this because the paper costs little, and the banks would avoid all the losses of plate-making, forgery, etc. It would perform the function of regulating both domestic and foreign exchange, by buying and selling bills, its only legitimate trade. To prevent conflicts between the national bank as issuer of currency and as regulator of currency, distinct boards would be established. The central bank, as the governing body, would simply have the power of regulating, and the branches with their local boards would have the whole task of individual distribution by the discount of commercial paper.

Dividends should be limited to 5 or 6 per cent, and the surplus distributed among the states. Finally, the governing board should not be in Philadelphia, but in "the city of banks, namely in Wall Street, New York," because there the currency of the country is regulated; there the extremes of domestic and foreign exchange meet.[4]

The "repudiation" of the guaranteed bonds by the affected states brought down McVickar's wrath. Refusal to meet punctually and fully all obligations constitutes infidelity and shows that religious principles have not exercised their influence. Should this policy become popular, no loan could be obtained from Europe, and not only would the country's great progress in education and material wealth be retarded, but a decline would occur. This spirit of default, which would nullify contracts and wipe out debts with a sponge, is due to "reckless democracy." It is, in fact, a foreign importation brought by distressed, impoverished, criminal Europeans, who swell in the Atlantic cities their large proportion of "unruly and unprincipled characters. . . . This poisonous leaven of mischief in our free institutions is, in short, the spirit of Jacobinism from the Old World. . . . It is the spawn of atheism, socialism, and chartism, to which indeed we have too readily furnished a 'nidus.' " It was "begotten and bred not here, in the pure air of equal rights and the bright sunshine of universal comfort, but in the putrid air" of despotic Europe. To "their rabid hostility to all firm and settled principles, divine or human," and to the "base servility of the present dominant [Democratic] party, that has received them as a make-weight into its faltering ranks, . . . we owe this stain upon our hitherto stainless shield." [5]

McVickar had troubles of a more personal sort. He had speculated in New York City and western lands, apparently on the basis of Ricardo's teachings. His speculative losses caused him to write, when closing his account book in 1845: "I am glad to be able to close my eyes, not, I trust, my penitential thoughts, on this long arrear of worldliness and grasping desire of wealth, by transferring to a new book the few accounts that yet remain unsettled. The most of them, after tantalizing for a while with a restless show of profit, terminated in disappointment and some in law suits. All the sorrows of my life from all other causes have not, I think, equaled those from this single source, namely, the speculative purchases into which I was led by persuasion, or perhaps self-prompted, in the years 1835, 1836, and 1837; as I verily believe they have brought upon me deeper guilt than any or all other temptations united. God be thanked that I have survived the shock, the trial, and the disgrace, and that a remnant of days is yet spared me, with an humbler mind and higher hopes, and that God has at length called me to a spiritual charge wherein I may show the sincerity of my faith and repentance. Through Christ may that call be blessed to me and those to whom I minister. Amen. So be it." [6]

In 1857, when McVickar was seventy, most of the subjects which he had taught were transferred to three new chairs: moral and intellectual philosophy, ancient and modern literature, and history and political science, which included political economy. McVickar was left with the "Evidences of Religion, Natural and Revealed." Economics, he could feel, would be in "safe hands" because the subject was turned over to a man who had substantially the same views as McVickar—Francis Lieber.

### WILLIAM BEACH LAWRENCE: DISCIPLE OF BENTHAM

Spreading the free-trade Ricardian faith was McVickar's former student, William Beach Lawrence (1800–1881).[7] The politics of the two men were somewhat different. McVickar remained an unreconstructed Federalist; but Lawrence's family was Republican, and Lawrence never ceased to speak of Jefferson as his "political schoolmaster." These formal political differences, however, did not lead to any substantial differences in concrete economic policy.

Lawrence, like McVickar, came of wealthy parents who were

prominent socially and politically. His father, Isaac Lawrence, was a rich landowner who, after retiring from the active life of a merchant, became president of the New York branch of the second Bank of the United States, a position "regarded as the most honourable distinction that could be conferred on a retired merchant."

Young Lawrence attended Columbia, where he fully imbibed McVickar's teachings. His family intended him for public service, and since such a career lay through the law, after graduating in 1818, Lawrence began the study of law, first in the office of the leading New York commercial lawyer and then at the famous law school at Litchfield, Connecticut, conducted by two ardent Federalists, Tapping Reeve and James Gould. Then, in 1821, as was customary for a scion of the real aristocracy, he made the grand tour of Europe. In Paris he visited the Sorbonne and the school of law of the University of Paris, where he attended Say's lectures on political economy. On returning two years later, he attended Kent's lectures at Columbia.

He soon plunged into the raging controversies of the day. His first public address, before the Academy of Fine Arts in 1825, praised free trade and commerce. Only in large cities, he said, were there individual fortunes sufficient to patronize the arts. As one enthusiastic reviewer in the *New York Review* put it, he showed "the dependence of all liberal institutions upon the freedom and activity of commerce." Protectionism, Lawrence insisted, must not be taught in the colleges, for it is not true science, but a survival from medieval days. It holds that individual wealth is often national poverty and allows government interference with the natural laws of money, such as usury laws and debased money.

He naturally devoted most of his articles to the problem of banking. In this, as in all things, the voice of Ricardo, that "acute reasoner," must be followed, he asserted. But he followed Ricardo in much the same manner as he followed the "revered Jefferson." Bank charters granted by specific acts of the legislature having led to corruption and mismanagement, they should be abolished, and "free banking" allowed, he declared in 1825. The merchants do not need the wisdom of the legislature to tell them when they require an increase of banking capital any more than they need to be told by Congress whether they should buy foreign or domestic products.

Free banking would eliminate the need for chartered banks in the western farming areas. Such banks have led only to unsuccessful

speculation among the farmers and the loss of their farms. The bank companies, however, should not be subject to unlimited liability, as in England, because of the lack of great individual fortunes in the United States. The corporations' having a fixed minimum capital would give to banking the responsibility which is now so woefully lacking. Similarly, the federal government should not too rapidly repay the public debt for which funds are already deposited with the Bank of the United States, because this would reduce the "efficient capital" of the country.

Lawrence was careful to state that his strictures against bank monopolies did not include the Bank of the United States. This, he held, was a necessary national institution to help the government. And under a free-banking system, so long as the Bank of the United States exists with its immense capital, there should be no fear that bank notes not redeemable in specie will acquire a credit in the market or that the currency will be degraded by an extravagant increase of paper currency. As for Ricardo's suggestion that the paper currency be issued by an independent government body and not by a private commercial bank such as the Bank of England or the Bank of the United States, Lawrence ruled it out on the old Hamiltonian grounds.[8]

Lawrence enriched his knowledge of economics and politics while serving on Gallatin's diplomatic staff in London in 1827–1828. He became intimate with the philosophical fountainhead of Ricardian speculation, Jeremy Bentham, and with his group of reformers, the "philosophical radicals," then engaged in that struggle to reform the franchise that worried McVickar.

In an anonymous article in an English magazine, Lawrence attacked southern slavery, but in a manner that left little doubt that it was for the South alone to take positive action, if any. Lawrence wrote that the southern states have been lax in ameliorating the condition of the slaves. It is not fair to retort to the English that worse slavery exists in the British West Indies, for recrimination is unworthy of honest men. Slavery must be speedily eliminated, for it dishonors and degrades the American people. Many are sensible of the situation, but of course there are many bars to abolishing slavery, "arising both from the rights of the proprietors and the condition of the blacks." [9]

Lawrence hoped to be elected to Congress on returning to the United States. But the new Jackson Administration questioned his

accounts; and, what was more damaging, Jackson had begun his struggle with the Bank of the United States. Lawrence turned to law, land speculation, and railroad promotion, especially international law and the Erie Railroad; but he still sought to inculcate sound Ricardian principles of government and economics through press and platform.

McVickar, taking a leave of absence in 1830, had Lawrence substitute for him in political economy. Lawrence devoted himself to demonstrating "the Ricardian theory" and sustaining the doctrine of free trade. The following year he repeated his lectures in substance before the Mercantile Library Association of New York, which was primarily for the benefit of clerks in mercantile houses. "Political economy gives the general rules to which all human laws ought to conform. . . . The great principles of the Ricardian theory . . . are equally applicable to the laws of France, the ukases of Russia, the statutes of England, and the acts of the American Congress." Citing from Robert Torrens, Lawrence said that the science proceeds on data furnished by observation and experience, while the conclusions to which it leads "are attained by a process of ratiocination self-evident in all its parts." A proposition cannot be true in theory and wrong in practice. Differences can exist in application but not in method. The great attention paid to "commercial revulsions" by Ricardo's disciples shows "the truly practical character of the science."

Proceeding upon the simple and undeniable proposition that nations are only collections of individuals and that individuals are guided by self-interest, the principles of political economy rest on a firmer foundation than any moral science.

But the recent cold weather, Lawrence said, provides an example of the prevailing ignorance of the most ordinary topics of political economy. Coal dealers were called violent names for advancing their prices "so as to regulate them by the probably increased demand and diminished supply." But this action was especially for the benefit of the poorer classes, since it induced economy of consumption and increased supplies from distant parts.

Labor is the foundation of all value except in the case of rare articles, including land. Capital is the product of labor hoarded and accumulated out of consumption. In a stationary state, which is a "tranquil state of things," wages could not fall below the minimum of subsistence. The return to capital depends inversely on the proportion

going to wages, but in new countries like the United States which have not yet reached the stationary state, both wages and profits are higher than in other places, whether computed in money prices or the command they afford over the comforts and necessities of life. The reverse is true in nations whose prosperity is declining. Since in the United States capital is increasing more rapidly than labor, wages are greater than mere subsistence. True, as Ricardo taught, the progress of society results in diminishing returns from the soil, and the capitalist suffers with every increase of rent, which is "the difference, or the value of the difference between the produce obtained from the capital first applied to the land and that . . . last applied." However, this tendency is offset by the fact that the United States is a new country and under free trade the territorial division of labor results in cheap foodstuffs from abroad.

In the United States the same individual is usually both farmer and landowner, but this makes no difference to the theory. The economist considers interest or usury "for the use of a pecuniary capital" to be "the same in principle as receiving a rent for the occupation of a house."

The salutary restraint of a national bank is necessary to prevent the repetition of irredeemable paper money and an unsound currency system such as occurred after the end of the first Bank of the United States.

The public should not impose contributions for undertakings which can be carried on by the resources and sagacity of individuals, because extravagance and carelessness are greatest where the responsibility of the agent to his employers is furthest removed. It was no slight argument against appropriations by government for such purposes as the Erie Canal, "that an association of our fellow citizens is, at this moment, preparing to propose to the legislature the application of the modern invention of railroads to the whole route between New York and Buffalo, and that the principal obstacle which they are likely to encounter arises from the vested interest of the state in its own canals."

Lawrence's discussion of the tariff brought out his more general views on wages and capital. Since wages in America are much higher than their natural price, the reduction of the price of necessaries, through lowering the tariff, would directly benefit the poor. What they failed to secure would "increase the profit of the capitalist—the source . . . whence the funds for future employment are to be de-

rived." Since the mechanics enjoy a monopoly of the home market, tariff reduction would not affect them.

But reductions in the tariff could not be made immediately "without interfering with vested interests, created under the faith of laws which, however unwisely enacted, are entitled to respectful considerations. . . . Since human happiness is the end in view, and the acquisition of wealth only a means to its attainment, to disregard vested interests would be as inconsistent with the principles of Political Economy as with the dictates of Justice."

One reviewer of the lectures in published form—*Two Lectures on Political Economy*—said that the "great discoveries" attributed to the "discriminating judgment of a Ricardo" by Lawrence, were "familiar to most readers of the newspapers." [10]

The issue to which Lawrence devoted most of his attention was naturally the struggle over rechartering of the Bank of the United States. Lawrence acted for Biddle in arranging for the subsidizing of various organs to publish articles or extracts from articles such as Gallatin's.[11] At the same time, he himself prepared elaborate anonymous defenses of the bank, beginning with an article in the *North American Review* in 1831 for which Biddle apparently made corrections in the proof.[12]

Lawrence began by asserting that the power of the United States Supreme Court to determine the constitutionality of state and congressional acts is the characteristic feature of "our federal institutions." Since it declared the Bank Act valid, any further questioning of its constitutionality would subvert "our political system." The only remaining question is the expediency of the bank, which would be quickly conceded if the Ricardian theory of value were understood.

A government bank would issue excessive notes and would be especially dangerous in times of financial embarrassment. Besides, a government bank would bring the evils of the patronage system. A private bank like the second Bank of the United States, through convertibility of its paper into the metals and the play of the foreign exchanges and exports of metal, issues paper to the amount of metallic money that would otherwise have been coined, and thereby prevents depreciation. The bank restrains the excessive issues of local institutions, thereby preventing excessive curtailment, which is frequently so devastating to commercial enterprise. According to the "enlightened" president of the bank, "the great object is to keep the State

banks within proper limits." Sometimes it gives the banks a chance to turn around. But because of the ignorance of the principles of banking, the national bank at times has been unpopular in the West, where it was forced to curtail its operations in order to maintain the specie standard.[13]

As the struggle reached the phase of the organization of the Whig Party to combine "nullifiers and nationals" against the "despotism" of Jackson, Lawrence gave an appropriate address in 1832 before the New York Historical Society, called *The Origin and Nature of the Representative and Federative Institutions of the United States of America.*

In the address he traced the fundamental American institutions of security of person and property to the feudal institution of the forebears of the Anglo-Saxons in the German institutions. As long as Congress observes the spirit of the Constitution and "scrupulously abstains from imposing or continuing any unnecessary restrictions on the freedom of industry," he said, the prevailing discontent will eventually yield to "considerations of enlightened patriotism." The general government has the function solely of preventing external aggression and maintaining internal peace. The preservation of the powers of the states is necessary to prevent the greater evils of "tyranny and despotism, which would but too probably follow in the train of consolidation." And again he hailed the Supreme Court as the keystone of the federal arch and declared that its decisions, including those in favor of the bank, were worthy of all admiration.

When in 1834 the bank was charged with having brought about the prevailing distress to force recharter, Lawrence again came to its defense. In an article in Walsh's *American Quarterly Review*[14] packed with hardly relevant statistical data, he declared that overtrading, speculation was not a cause of the business distress although, because of scarcity of capital and the American enterprising spirit, business transactions bear "a larger proportion . . . to the capital of the merchants, than would be deemed prudent in most parts of Europe." The higher price of agricultural land and town sites in the last few years can be explained on "sound principles, without either ascribing the rise to a spirit of speculation or to a depreciation of the currency." The opening of roads and canals has the same effect as increasing the fertility of the soil. The result is enhanced values of agricultural lands and also sites for business or pleasure required by

the increased business population dealing with the near-by agricultural area.

The usury laws were partly responsible for the "business stagnation," but Jackson's removal of the public deposits from the second Bank of the United States was the chief cause, for it reduced "commercial credit."

According to Lawrence, "the whole measure as to the bank has been termed an 'experiment' " by the President's friends in seeking to apologize for his ignorance of currency and consequent "violation of all the rules of economical science." But a conscientious man must not undertake experiments in government "without a knowledge of those *leges legum,* which political economy inculcates, and which lie at the foundation of all legislation." At least the community has a right to expect that the President has that modicum of knowledge "which will enable him to select advisers who are equal to the ordinary intelligence of our age and country, and that his ministers will take the trouble of perusing the history of our own, and other countries, so far as it relates to the business of their respective official stations, and not subject the nation to the expense of millions, to make 'experiments' on matters which have already been fully tested."

On the undisputed charge of the Jacksonians that the bank had distributed at its own expense Gallatin's article, Lawrence answered that it was thereby "circulating sound economical doctrines" which appealed "to the judgment, not to the prejudices, of the American people for its recharter"; and that Gallatin's pamphlet was repeatedly and respectfully cited in the House of Commons and the American capital and received by the "enlightened part of our community" and "the statesmen and bankers of Europe as the highest authority on currency."

Timothy Pitkin, who had bitterly fought the chartering of the second bank, placed Lawrence's article among those that were not of "a party and ephemeral character" and that "proved that credit . . . would not . . . bear the rude touch of arbitrary power." [15] Naturally, Biddle praised the article highly.[16]

Meanwhile Lawrence's business affairs were at a low ebb. His father was ruined in the process of paying off his son's debts, and one of McVickar's brothers who was Lawrence's brother-in-law also lost a large amount of property as a result of being involved in Lawrence's

speculations and was reported to have moved west. For a short while, in the ensuing prosperity and the great prospects for the Erie Railroad, Lawrence appeared well on his way to becoming a millionaire; but by 1841, with the continuing depression and the collapse of the Erie Railroad promotion, Lawrence was again in serious financial straits.

But his enterprising spirit could not be downed, and with a growing reputation as an expert in international law, he soon had wealth. In the meantime, as he looked forward to political preferment, he became reconciled to the Democratic Party. Thus in 1843, in the party organ, the *Democratic Review*, he asserted that Gallatin's pamphlets on the currency were valuable contributions, but Gallatin had been more friendly to the banking system's including a national bank than it deserved. However, at the time the subject was less clearly understood, but people now have the benefit of the great national experience through which the country has passed.

Gallatin looked only to "the healthful use of the system under pure administration—and especially in reference to the earlier poverty of the country when the stimulus and aid of the artificial capital thus created were perhaps beneficial, whereas an altered state of things makes them now pernicious." Gallatin's error lay in failing to give proper consideration to the fatal evil of its tendency to abuse. Gallatin viewed the Bank of the United States as a safe and convenient fiscal machine for the transactions of the general government, and as a restraint upon the existing banking system; yet he denounced abuses in its management and the "overaction into which the system ran." Gallatin was really at the earlier date an "ultra-bullionist," even more so than the opponents of the bank and paper money. Lawrence had little doubt that if Gallatin should write again on the matter, his views would closely approach those now held by the Democratic Party.

The only serious error Lawrence ever found in Gallatin was the latter's failure to speculate successfully in lands—that is, he chose the wrong areas. This was hard to understand inasmuch as "the rules which Ricardo developed were no new discoveries, and . . . ought to have presented themselves to so sagacious a mind, as that of Gallatin's." [17]

With political prospects not promising in New York, Lawrence moved to Rhode Island in 1850. The following year he was elected lieutenant governor on the Democratic ticket, despite the Whig at-

tacks on him and on the party gubernatorial candidate as wealthy men. After winning the election, both Lawrence and the governor supported proposals for the secret ballot, liberalization of the voting requirements, and abolition of imprisonment for debt, on the ground that these measures would free the poor, debtors, and employees from voting as their creditors and employers directed. Opponents asserted that these measures would destroy "the last remains of our old institutions" as they existed under the charter of King Charles. They were "agrarian measures" to achieve an equal distribution of wealth; but the supporters now asserted in refutation that the governor and lieutenant governor were wealthy men.[18] Lawrence became a power in the national councils of the party. The Democratic Party, he proclaimed in the presidential campaign of 1852, is the true Jeffersonian party, and expresses the spirit of Christianity.

He insisted that the natural course of irresistible events dictated that the United States must have Cuba, whether by purchase or otherwise. American ownership would not only free the Cubans, but would benefit American commerce, accelerate the increase of American investments in Cuba, raise property values, and thus benefit even the Spanish grandees and the Spanish Queen Mother, who have huge investments there. Cuba would be useless to England because England unfortunately abolished slavery in her West Indies possessions.[19]

Lawrence had now definitely changed his views on slavery from those he had held in 1829, at least in form. In the presidential campaign of 1856 he bitterly denounced "the Black Republicans," and demanded the enforcement of the Fugitive Slave Law and recognition of the masters' property rights in slaves in all territories. The extension of slave territory is required, he said, in order to increase cotton production. Cotton cannot be successfully grown elsewhere in the world; white labor is unsuitable; American exports would have been insignificant if slavery had been confined to the original thirteen states. Cotton is the peacemaker between England and America, for if cotton is withheld, universal bankruptcy in Liverpool and Manchester would result. Should the Black Republicans continue to campaign on the unheard-of and unconstitutional basis of a geographical issue, then the South must act not from the standpoint of patriotism but of calculating the value of the Union. Since the slaveholding states are self-sufficient, they could never be conquered; but if they boycott the North, every northern financial and manufacturing institution will be bankrupted. Rhode Island would suffer greatly, since it

is a manufacturing state with a highly developed banking system. Widows, orphans, and schools would be the victims, for they hold the corporations' stocks. Northern critics of slavery should furthermore remember the barbarity of the legal system, especially the workings of the laws of contract. The cruelty of the master is controlled by self-interest in his property, but there is no check on the rapacity or avarice of a creditor.[20]

The Democrats won the election, and Lawrence had hopes of becoming minister to London. But unfortunately the Democratic incumbent of that post did not resign in accordance with the opinion expressed by Lawrence's organ, the *Newport Advertiser*, that under the American system four years in office was sufficient.[21]

Three years later, while Lawrence was in Paris again, the raid of John Brown and his associates on Harper's Ferry and their execution furnished Lawrence with a splendid occasion to elaborate on his thesis that no change in the relation between master and slave should occur. Whereas thirty years before Lawrence had ostensibly warned the South that slavery must be speedily eliminated, now he was warning the French and English publics through a pamphlet in French and its translation in the *London Morning Chronicle* not to support the abolitionist incendiaries. Owing to free competition and consequent increased foreign trade, the industry of both countries is increasingly dependent on American cotton. Suspending cotton production would cause a social and political revolution among all manufacturing peoples. The continuance of abolitionist activities means universal bankruptcy, millions of unemployed, loss of British investments in America, and inability of the French to send their wines and silks to America. Emancipation would not only be confiscation of property rights guaranteed by the Constitution, but would destroy the Negro. Thanks to the gentle care of the masters, the Negroes have increased, and with them cotton production and general commerce.

Europeans unfortunately cannot understand the national sentiment which, according to the Dred Scott Decision of the supreme federal tribunal, gives only to the "superior race" the title of American citizen. Any European nation sympathizing with the Harper's Ferry conspirators will lose the friendship of the United States, which now possesses the largest merchant marine in the world.

At the same time, Lawrence wrote home that the great majority of those conservative citizens who "under whatever name have from ancient prejudice" opposed the Democracy should rally under the

Democratic Party in this contest between a servile war and the independence of states. Rhode Island, in letting blacks vote in municipal affairs, is violating the Constitution as authoritatively stated by the Supreme Court. He also informed the laborers that the Republican Party argument of the competition of slave labor is a pure abstraction, since slavery is limited to its existing area by nature's decree, and the North has the benefit of the unlimited cheaper labor of immigrants. This labor is doubly effective by the employment of their families in agriculture and other occupations usually reserved among us for men.

As the election of 1860 approached, Lawrence, to avoid the effect of the split in the Democratic Party, helped to set up in Rhode Island a "Union National Democratic Electoral Ticket," which would vote for the national candidates who "might the most fully concentrate the conservative strength" and be a "rebuke to sectionalism and radicalism." This ticket happened to be one supporting the extreme southern faction. Lawrence declared that all conservatives must unite in order to prevent the election of Lincoln, for his election would destroy peace and tranquillity, jeopardize all non-transferable property, and cause universal bankruptcy.[22]

Though Lawrence might have changed his ideas on slavery somewhat, he never lost his faith in Ricardo, because he saw his $12,000 investment in Rhode Island estate increase in value so that, at his death in 1881, it was worth $1,000,000.

### HENRY VETHAKE: LOCO-FOCO IN THE ACADEMIC WORLD

At the near-by University of Pennsylvania Henry Vethake (1792–1866), a prominent figure in the temporary intellectual renaissance of the period, was teaching.[23] He was born in British Guiana of Prussian parents. After graduating from Columbia in 1808, he began studying law, but he turned to an academic career on receiving a temporary appointment at Columbia in 1812 to teach the "mathematical and geographical course" for $1000. The following year for a salary of $800 and a house he became professor of mathematics at Queen's College (now Rutgers) and in emergencies also taught the classics. When the school closed for lack of funds in 1816, Vethake obtained the professorship of mathematics, natural philosophy, and chemistry at the neighboring College of New Jersey, which paid $1300 and a house. Becoming displeased at the nepotism of the presi-

dent, the Reverend Ashbel Green, in appointing his son Jacob to a part of Vethake's duties, he left for Dickinson College and the relatively high salary of $1500. His formal title was professor of mathematics and natural philosophy, but starting in 1826 he also taught economics, his "favourite science," for the benefit of the students of the near-by theological seminary as well as those of the college. Apparently Dickinson had not changed much since Thomas Cooper had left. Sectarian disputes, faculty conflicts, and student riots finally resulted in the collapse of the college. In 1829 Vethake resigned his professorship. After a year of travel and study in Prussia, Vethake returned to the College of New Jersey in 1830 for $1200 and a house, as professor of natural philosophy, but his courses also included astronomy, history, and political economy.

The students were sufficiently impressed with his presentation of economics to publish his first lecture. He devoted considerable space to supporting free trade and to showing the usefulness of economics to lawyers and merchants. Nor did he forget to show its merits for Christianity and the clergy, for unfortunately the speculations of the economist "have been sometimes suspected as leading to conclusions inconsistent with the precepts of revealed religion." [24]

Free-trade organs congratulated the college for having Vethake. "The reputation of the professor for deep erudition is extensive," wrote Raguet, "and the influence of his name . . . cannot fail to produce an accession of strength and numbers to the cause of free trade." [25] Here as elsewhere, Vethake was extremely popular with the citizenry as well as the students.[26] Interested at all times in the raging questions of the day, he was as active in the Philadelphia Free-Trade Convention as he had been earlier in state aid for local internal improvements.[27]

In 1830 Vethake, fresh from his visit to German universities, submitted a paper to the convention called to establish New York University as the first real university. He suggested some radical innovations. Colleges today, he said, are for those who possess sufficient wealth to spend many years acquiring two dead languages imperfectly. Therefore, for the Bachelor of Arts degree should be substituted the Bachelor of Literature degree which would require the classics, and the Bachelor of Science degree, which would not. An elective system should be installed. Under the revised system, sons of persons in moderate circumstances—farmers and mechanics—would enter the colleges, and these institutions, instead of educating

gentlemen's sons to be gentlemen, would become useful.[28] A prospective professor in any subject should have his "religious or moral tone" investigated.[29]

Vethake was made professor of mathematics and astronomy at $2000 salary at the university in 1832. At the same time, he cooperated with Lawrence and McVickar in the affairs of the American Lyceum Society and gave lectures on economics to the New York Young Men's Society. Again his audience had the introductory lecture printed.[30] But after two years, Vethake and two others of the faculty of four publicly protested against what they called the prevarications, vanity, and arbitrariness of the chancellor, and Vethake was out of a job.[31]

However, in 1835, he obtained the presidency of Washington College in Lexington, Virginia, which paid $1000 plus an equal share with the other two teachers of the tuition fees of thirty dollars a student.[32] In his inaugural addess he denounced rigid conservatism, the stifling of curiosity and the spirit of independence, and incompetent lazy teachers who merely heard students recite the contents of a textbook. He felt more attention should be paid to the English language and composition. The study of religion and the Bible must be thorough, for no effort can be successful if it lacks the approval of the Almighty. Having learned his lesson, he did not attack the classics.[33] Vethake did practically no teaching in the moral sciences on the ground that very few of the students were sufficiently advanced to study them.

Vethake stayed only a year. A beating received from a student made him anxious to leave, and after a tour of what was then the Northwest—the area around the Great Lakes—to buy lands for speculation, he became professor of mathematics at the University of Pennsylvania in 1836 at a salary of $2300, and a few years later vice-provost (vice-president) as well.[34]

He continued to teach economics and in 1838 published his lectures as *The Principles of Political Economy*. The treatise was the closest of the period to the views of the Ricardian school in England. It was dry. The propositions were phrased in the language of a mathematician expounding Euclid. But Vethake insisted in the preface that he did not regard economics as a hypothetical science, but as being useful in public and private affairs—"in other words, to the moral relations of men." Some of the propositions, he said, may sound strange, but if the student has faith in them, he will come in time to

appreciate their truth. If he goes on with the study of political economy, "faith will in the end infallibly come."

Like a true Ricardian, he distinguished between rent and profit, but admitted it was impossible to distinguish between them in fact. The interest rate is determined by the rate of profits, but if profits are greatly in excess of interest, it will be seen that profits include the wages of superintendence and management as well as the return on capital.

Absenteeism and the export of capital are good for labor abroad but bad for domestic labor. On the other hand, the import of capital is such a national advantage that able-bodied immigrants without special skills are valuable only in proportion to the capital they bring in. Vethake denied, however, that this doctrine implied that immigration should be restricted to certain classes. He presented it as merely a deduction from the nature of capital.

Capital accumulation is the great fount of wages, but population has a tendency to outstrip the means of subsistence, and the necessary recourse to inferior soils depresses the condition of the laboring class. Thus the most important truth in political economy is that in every country and in every period wages are determined by the habits of the people in relation to marriage. These habits can be improved by stimulating the desire for more enjoyment. This the people could achieve through greater production by labor and inculcation of the habits of foresight. Habits of foresight might be improved by establishing savings banks and benefit societies, and abolishing institutions and laws, notably poor laws, that encourage the poor to have more children than they can support.

But the "vested claims of the poor" should not be overlooked. He had elaborated the basis and meaning of the claim some years before in "An Essay on the Moral Relations of Political Economy" in the 1835 issue of the *Annual of the Board of Education . . . of the Presbyterian Church.* He began with what appeared to be a radical charge. Improvements in machinery and in the various arts of life seem, under all forms of government, to benefit merely the privileged and prosperous classes, but the evil in fact flows from the increase of population. The necessary restraint should be accomplished by "proper means" as presented by Malthus, by the moral causes of prudence, foresight, thrift. The poor, then, distinctly perceiving that they are not poor because others are rich, will more willingly

acquiesce in the inequalities of fortune which unavoidably result from the maintenance of property.

The involuntarily temporarily unemployed should be given work either in workhouses or at their homes, but the pay should be less than the market rate or, "what amounts to the same thing," their situation should be "systematically rendered less comfortable than that of the independent labourer." The laborers would then have an incentive to seek employment as soon as possible from regular capitalists. This method, he said in the textbook, has been called "grinding the poor," but all other plans deteriorate the community.

Another way of instilling foresight is to extend to the poorer, less educated members a direct influence on the operations of government "*as soon as they are sufficiently enlightened for such influence to be entrusted to them.*" But obviously it would be unsafe to extend the suffrage to a people who expect from mere political changes a sudden and extraordinary rise in the condition of the laboring and poorer classes, and who feel that the only reason so many are poor is because a few are rich.

Vethake was aware that the charge of inconsistency had been made against the economists for telling the poor man that he should cultivate as extensive taste as possible for enjoyment, and at the same time that the more he saves, the better for him. But he insisted that there was no contradiction, for an individual can have a growing desire for luxuries and be more thrifty than he had been, in order to be able to consume them at a future period. "Habits of foresight do not imply on . . . [the person's] part a disposition to be content with a diminished consumption, but simply that he has been led to prefer a different distribution of his consumption than heretofore—that he has become more anxious to secure to himself and family a continuance of their present rate of enjoyment. . . . It will be generally found that when the desire for present enjoyment is extended, that the future, when compared with present enjoyment, will also be extended."

But how much of one's income should one save? Excessive saving by the rich is bad for the poor, for this implies a reduced style of living of the rich. Since the poor take the rich as their model, the poor will gradually accustom themselves to a diminished desire for the necessaries and luxuries of life. The example of great saving by the rich would not normally be beneficial because "under the most fa-

vourable circumstances, the savings of the poor" cannot be considerable. But excessive expenditure by the rich on extravagances and luxuries is also bad because this implies overgrown wealth in the hands of the few. "By the total improbability" of the mass competing with great wealth so expended it will tend "to check rather than to stimulate their efforts to better their condition."

So it is impossible for the political economist to give any definite opinion as to what proportion of his income a man should save. Each person's conduct must be regulated by the same prudential considerations which determine his actions in everyday life. Every individual is just as good a judge of the most expedient way of distributing his income between productive and unproductive consumption as the political economist, and usually a better judge than the government or any statesman. All that government should do is to remove every "artificial cause" of the accumulation of large fortunes in particular families, such as laws of primogeniture and laws preventing the alienation of landed estates.

Other reform measures fall under the category of violating property rights and lead to an equal distribution of wealth by law, with all its horrors. When all the members of the community are comparatively poor, as would result from legal equalization of wealth, it would be more difficult than now to bring together and wield efficiently a larger amount of capital. The division of labor would not be possible to the extent required by the existing state of the arts, and so production would be less.

Taking from the rich to help the poor is a violation of property rights. The only time state interference with the property of individuals can be justified is when such transfer of property can be shown to be ultimately advantageous to the rich themselves to an extent greater than the loss in the first instance.

Among the great sinners are trade unions, said Vethake. They are an unmixed evil. They violate the right of property, attempt a compulsory transfer of property from the rich to the poor, cause inconvenience not only to capitalists and laborers but also to consumers. Worst of all, they deny the notion maintained by political economists that the natural course of things, of "free competition," is most conducive to the interests of both rich and poor. Instead, by their strikes to raise wages, they propagate the idea that a never-ceasing struggle of poor against rich is necessary to prevent the poor from being reduced to a bare subsistence.

If the unions could raise wages permanently, this would outweigh all their disadvantages, for the prosperity of a people depends primarily on wages being high. But unions cannot do so because by reducing profits they retard capital accumulation. Vethake did not expect that his reasoning would reach the evil-doers, but he was interested in reaching those who had hastily given them encouragement on the ground that thereby they were contributing to the greatest good of the greatest number.

Since laws reducing hours in effect raise wages, they too are vicious. They mean a fall in the rate of profits. The rise in wages will lead to the increase of population with unusual rapidity; while the fall in the rate of profits will lead to a less rapid accumulation of capital. Thus wages will fall gradually to their former rate and so closely approach it as to be no sufficient compensation to society for the violation of the rights of property implied in every compulsory raising of the wage rate.

There might possibly be some justification for limiting the hours of children so as to allow them time to obtain an education, for this would ultimately benefit the richer as well as the poorer classes. This being only a possibility, Vethake did not specify what the hours should be. But in any event, the limitation should not be made for the uneducated adult laborer. The leisure time, to which he is not accustomed, would be spent in debauchery.

Taxation must also treat rich and poor alike. Vethake began with a tax on rent, but decided that such a tax was out of the question. It is impossible, he said, to draw a line between rent and profit in practice. But the example would show the workings of the incidence of taxation. Since rent in theory is a surplus above ordinary profits, any tax on land must ultimately be paid by the landlord, whether paid by tenant or proprietor in the first instance. It follows that the whole rental of the land of the country, if it could be distinctly separated from the profits of the capital invested on the land, might be viewed as a fund for taxation which could even be completely exhausted without the community, except the landlords, being forced to pay any portion of it.

Since rent, unlike other property, is conferred gratuitously on the landowners, and since it increases with the growth of the country's wealth and population without any sacrifice on the part of the landlord, it might seem equitable as well as expedient to raise the entire revenue by a tax on land; or at least not to resort to other taxes until

this source is first exhausted. This would be sound if the tax had been established in the original settlement of the country. Thus every person who at any time possessed land would know that it would yield no more than the ordinary profit on the capital invested upon it, and would never be worth more than the value of such capital. But for centuries land has passed with more or less frequency from individual to individual, and every new purchaser has relied on the secure enjoyment of the produce or advantages generally to be derived from it, as he would have in the possession of any other kind of property. Hence it is unjust and inexpedient to tax the landlords exclusively or in an extraordinary degree. A property tax is preferable to an income tax because it is easier to determine an individual's property than his income. The tax on property should be proportional, not progressive, for government is not instituted for the purpose of discriminating between the different classes of society whether they are rich or poor.

Aware that he might be accused of "being more disposed than political economists in general" are to impose the burden of taxation on the poor, Vethake declared that, on the contrary, he had shown that "the rich cannot be taxed without the poor at the same time suffering almost as much as if they themselves had been directly taxed." Thereby he felt he had supplied an additional instance of the manner in which the different classes of society are bound together.

On the question of government "interference" in the construction of means of transportation and communication, legislative control is essential, but it must be of the kind that does not interfere with property rights. These companies have to have the right of eminent domain, but it is absurd to allow private individuals, at their pleasure, to make roads through their neighbors' property, even if they pay full value for it. Furthermore, a private road, even if not given exclusive monopoly rights, will in fact be a monopoly because of the power of large capital and its ability to manipulate rates to forestall possible competition. On the other hand, he admitted the familiar and overwhelming objections to state construction.

So Vethake argued that individuals or companies should build the roads subject to legislative authority. Maximum tolls should be fixed by the legislature, and after a specified number of years they would become the property of the public at a price equivalent to their original cost, or at any other stipulated price. He said nothing about the critical question of specific terms.

On the more controversial issues among the respectable, Vethake took a rather ambiguous position. He called himself a "free-trader" and spoke of the American System as a thing gone beyond recall, but he presented so many qualifications and so severely castigated the extreme arguments of the southern free-traders that one ardent protectionist reviewer thought that Vethake had provided a common ground which would end the animosity on both sides and make for the quiet and welfare of the country as well as for the progress of political economy.[35]

He was naturally very cautious on the Bank of the United States in his textbook, but he reciprocated Biddle's high appreciation of him more openly elsewhere. Even after the failure of Biddle's Pennsylvania bank, Vethake praised him and attributed the failure to "democracy" because the elected legislature set such onerous terms on the charter that the bank had to engage in risky ventures to make an ordinary profit.[36]

If one can draw any conclusions from his equivocal statements on money and banking, his views appear to be those of Raguet, who, he said, "will always be rated among the distinguished American political economists." [37]

But in his textbook, he unlike Raguet accepted the fact that for the present a charter for a Bank of the United States could not be achieved. He followed along the lines of his Loco-Foco brother, John Vethake, and his close friend, the Jackson leader James Buchanan.[38] He proposed a plan suggested a year previously by Van Buren's Secretary of the Treasury, Levi Woodbury, for restoring a specie currency—namely, that the government issue non-interest-bearing treasury notes backed by a specie fund, and these notes would be payable to creditors at their option and be receivable for government dues. The proposal has been styled "the sub-treasury scheme." Apparently, like Raguet and Gouge, he was against all bank notes eventually and even approved "free banking." But he went on to urge that the only effective remedy for eliminating bank notes was a constitutional amendment prohibiting states from chartering companies or individuals to issue them. In other words, as his other suggestions stated, he was primarily interested in preventing new banks, and, like his brother, said that the charters were obtained from the legislature by the influence of the wealthy and at the expense of the equal rights of the poor. He even suggested that the state charge a bonus for recharters, if deemed necessary, sufficient to take the gains

above "normal profit" from the bank companies. He was careful to assert, however, that the integrity of bankers was above the level of the general run of mankind, and that some of them, "I am happy to say, rank among my most esteemed and intimate friends."

He was particularly interested in showing the productiveness of professional classes, especially the clergy and teachers, in order to remove the stigma of "unproductive" from intellectual labor and justify state appropriations for them. He made what he called a "bold innovation" by arguing that immaterial as well as material products can be accumulated; and that the amount of accumulated wealth should not be measured by the excess of previous production over consumption, but by the amount of wealth produced and consumed at a given time. By this method, the professional class are productive in that they create utility, as Say had argued; and the invidious distinction between productive and unproductive laborers is eliminated. Mankind instead of being separated into two classes will eventually be regarded as constituting one great family. If I succeed, he said, in banning from popular language the phrases "productive" and "unproductive" classes, I will have more effectively prevented the "workmen" from esteeming themselves the only useful classes than I could possibly do by constantly reminding my readers that I mean by unproductive, not productive of utility, but of material objects of utility.

Reviews in general praised the book. The Presbyterian *Biblical Repertory and Princeton Review* exclaimed: "Any candid person will feel gratitude toward the author for having opened to him a field where he can gather many new illustrations of the Divine wisdom and benevolence." Vethake's former Dickinson student, the Reverend George W. Benthune, who was a popular lecturer on economics, religion, and other social sciences, called on God to bless Vethake for taking the physician, the jurist, the divine, the man of letters, and the man of science out of the same category with the jugglers and opera dancers, where previous economists had placed them as unproductive consumers.[39]

The Whig *New York Review* thought highly of his general moral position, but it found one foul stain which the Boston protectionist *North American Review* also found; the author's approbation of the sub-treasury system. This was committing the greatest offense against "science and scientific men" and made him guilty of plotting the death blow to political economy by seeking to make economics "a

pander to party politics." The only way Vethake can save his otherwise high reputation is by effacing the hated words sub-treasury system in a second edition.[40]

Vethake, always cautious, looked around for a proper way of handling controversial questions in respectable circles. The social sciences, especially economics, should be given considerable attention in the colleges, Vethake told the Mercantile Library Company of Philadelphia, because they provide the political education of those destined to be statesmen. But at present the instructors are too timid to discuss disputed points lest a considerable part of the public be offended. Thus the instruction becomes futile and uninteresting. As a remedy, he bravely proposed that a college appoint two lecturers on political economy, one of them maintaining and defending the accepted doctrines of the science, and the other impugning them. Should the latter be so hostile to the accepted doctrines as to object to being called a political economist, he might call himself a "lecturer on statistics or any other title he might prefer." The parent would decide what lecturer the child should attend, but Vethake hoped that he would attend both. This procedure would be better than reading entire libraries and simply absorbing the thoughts of other men.[41] Of course this process of arriving at truth by disputation between ardent disciples of contending faiths did not mean to Vethake that a proponent of trade unions would be allowed to teach, but only the spokesman of issues in controversy in the respectable community. It applied to such questions as the tariff and banking. Actually, the beneficent state of affairs proposed by Vethake then existed in great part at his own institution. The former provost, the Reverend Frederick Beasley was a protectionist, and Robert Hare, Cooper's successful competitor for the chemistry chair, continued to write in defense of the general Whig "soft-money" position.

As Vethake grew older, he grew more conservative about the curriculum. Some of the trustees, led by the protectionist economist and theologian, Bishop Alonzo Potter, were anxious in the early fifties to turn the university into the sort of school that Gallatin had hoped New York University would be. It was argued that the public high schools teach competently the subjects that colleges now teach, and that if declining attendance is to be checked, the colleges must engage in graduate work and thereby extend the curriculum. Since other colleges are interested in the same proposal, Pennsylvania must hurry to obtain the prize, they wrote. But Vethake informed the

trustees in a printed letter that the University of Pennsylvania was established by its beneficent founders for the express purpose of educating *youth* and not *men*. Few students could afford the extended time required for advanced instruction and degrees. Almost all youths expect that at twenty-five, an age when according to the new plan students would be in attendance, they will already head their businesses, have families, and live in comfort and even luxury. Comparison should not be made with German universities, for students in the German universities are principally those intending to teach as a life pursuit; but here teaching is a temporary expedient and is obtained on the basis of considerations other than fitness. Furthermore, with its plan of more than one professor in a subject and substantially free tuition, this scheme would necessitate a huge fund which could not be raised.[42]

In a lecture at one of his numerous old teaching posts, Rutgers, he put the argument in a form that made the attacks on colleges come from "agrarians," not from the respectable. Private colleges, he said, are accused of being "aristocratic institutions" and are compared disadvantageously by calling the publicly supported high schools the "*people's* colleges." But society is composed of individuals "who have reserved to themselves all their natural rights, excepting only those which it was expedient to yield for the *general welfare*." Therefore it is unjust and inexpedient to grant public money to benefit a particular class at the expense of any other. Apparently Vethake temporarily forgot that the private colleges had been recipients of grants and were constantly seeking them, and felt that they benefited indirectly the lower classes. Once the principle of an entire equality between the rich and poor in education is adopted, he said, "we shall find no stopping place in our efforts to better the condition of the latter until the two classes are brought to a level of equality" in everything. If the same education is given all, why "should not all live equally well" and enjoy the same amount of leisure—"in other words, why should the rights of property remain inviolate? We shall thus find ourselves on the very brink of the worst species of socialism." Yet cities are vying with one another to establish such a popular institution combining graduate and practical instruction. New Yorkers, for example, "are urged to move in the matter before the Philadelphians shall steal a march upon them, and the contrary."

But at the same time and place he insisted that political economy had not been given its rightful due as second only to Christianity as

an agent of progress. Though tabooed in some of the colleges, it deals with problems "upon the proper solution of which not the welfare merely, but the stability of society depends." It aims at society's "advancing no faster than consists with a maintenance of the rights of property . . . and urges a change only after public opinion is fully prepared for its introduction." It is the most beneficent of the sciences because it shows "unequivocally that the physical condition . . . of mankind, or what amounts to the same thing, the command which each individual of a community, on the average, enjoys over the necessities and luxuries of life, depends in a very great degree on moral causes"—thrift, prudence, foresight—and that the most effectual means of elevating that condition is by diffusing as extensively as possible the blessings of religion, morals, and education.[43]

Vethake won over academic reform, and affairs settled down in Pennsylvania to the "quiet respectability of long ago." He became provost in 1854, and a year later he was also appointed professor of moral and intellectual philosophy, to teach "Intellectual Philosophy, Ethics, Evidences of Natural and Revealed Religion, Logic, Elements of Natural and International Law, and History in Connection with Chronology and Political Economy." According to the trustees' minutes, political economy was to be taught to the seniors an hour a week from the provost's book. In 1859, however, he was made emeritus and he turned to teaching higher mathematics in the Polytechnic College of the State of Pennsylvania. A cautious protectionist treatise, written by Francis Bowen of Harvard, replaced his book at Pennsylvania.

## THE REVEREND SAMUEL P. NEWMAN: SCAPEGOAT FOR MARX

One free-trade treatise of the time acquired enduring notoriety when it was used by Karl Marx in *Das Kapital* as an example of the modern economists "childishly attempting to represent commerce . . . as productive or surplus value." It was *The Elements of Political Economy*, by the Reverend Samuel Newman (1797–1842).[44]

Newman was a New Englander by birth and education. After graduating from Harvard in 1816, he taught a year in Kentucky and then in 1818 began teaching at Bowdoin, where he held various professorships and was for a time acting president. First he was professor of oratory and rhetoric, a subject for which he wrote a textbook

that ran into sixty editions. In 1824 he was also made "Lecturer in Political Economy and Civil Polity" and allowed "experimentally," as the record reads, to give lectures in "the rising science of Political Economy." In 1835 he published his lectures in the form of a treatise "in which the more important principles of Political Economy are developed in their application to the usages and institutions of our country."

The poor should not envy the rich, for the rich man's wealth is the fruit of his own industry and frugality or inherited from those who had these traits, he said. Since the road to wealth is here open to all, the idler or failure should not murmur and complain at his ill lot and the prosperity of others. Those who have acquired or are acquiring wealth are public benefactors, for they are helping to develop the resources of the country.

The topic of greatest practical importance is wages, he said, not only because the interests of a great number are involved, but because in most commodities labor is a principal item in the cost. Since labor is a commodity, it must be treated, like other commodities, according to the principle of cost of production as the basis of price. The cost price is what in different communities is consumed to support the laborers and their families. In the United States labor's exchangeable value is above cost, as evidenced by the fact that the laborers become capitalists and landowners. The danger of a redundant population is offset by the multitudes that rise to these higher classes. Since the increase of laborers is not in proportion to the increase of population, their style of living is high.

If their style of living falls, so will wages, for the entrepreneurs are necessarily always attempting to reduce wages to the lowest point in order that the surplus or profits be larger. But it is not to the advantage of employers to allow wages to fall below cost price, for with less population wages will rise. Far more important to the laborer than high wages is that he have profitable opportunities for investment, such as savings banks, so as to stimulate him to more vigorous efforts and frugality and thus to rise into the higher classes.

In the matter of poor relief Newman's views differed in form though not in substance from those generally held by the respectable. Since there had to be some relief, he preferred on grounds of economy as well as justice and humanity that it be the public workhouse type instead of private charity.

The same total sum "given to those who reside under the same

roof, and sit at the same table, under the supervision of the same overseer . . . affords both more effectual relief, and to a greater number of individuals, than when gratuitously distributed." By this method they may also be encouraged and aided in their efforts to supply their own wants and led to form habits of industry and frugality. Finally, "they may be brought under those moral and religious influences, which are peculiarly needed for their consolation and for the reformation of any vicious habits they may have contracted." There should be no fear that the relief will be abused, since the system is not intended to render the situation of a pauper desirable. As a solvent for the "temporary" unemployment created by labor-saving machinery, Newman incidentally mentioned the possibility of public works, but the real remedy, he said, is an adequate protection of patent rights, for this would make technological change more gradual.

Underlying this book and others was the ideal Newman presented in 1826. He envisaged the country's population spreading till it covers this vast continent, and its wealth increasing "till our cities shall vie in magnificence with Eastern splendor." [45]

New England's great idol, Daniel Webster, was his idol from the start, and there was nothing in the treatise to prevent him from following the great orator in his change to outright protectionism, since he threw in the infant industry argument.

His book had little popularity. It suffered perhaps from discussions that were a little too recondite. Newman himself was more interested in administrative work than in the development of economics and eventually became president of the state normal school at Barre, Massachusetts.

### THE "SIMPLIFIED ECONOMICS" OF THE REVEREND JOSEPH HOLDICH

From the British-born Reverend Joseph Holdich (1804–1893), professor of "Moral Science and Belles Lettres" at Methodist Wesleyan University in Middletown, Connecticut, came a performance that for ingenuity did him great credit. It was his lecture before the Young Men's Lyceum of the college town in 1838 called *Political Economy Simplified.*

The study of political economy, he said, is complicated by the extent of the ground it covers, the comprehensiveness of its principles, and its extensive generalizations. "The facts presented are exceedingly numerous; the principles very extensive as well as com-

plicated in their operation and sometimes apparently contradictory in their results."

Therefore if its principles are to spread more widely, they must be simplified so as to make them readily understood. So "let us suppose a fertile island, situated . . . in the Pacific Ocean" and "colonized by a dozen families. Here is the germ of a nation and by observing the . . . unfolding of the germ, we may mark the progress of the tree, from its feeblest state to its highest maturity."

Of course, in the beginning there would be perfect equality, with each one having an equal plot of land; but this state of affairs would not last long. Because of greater physical strength or ingenuity, the exertions of some would be more productive than others. Consequently there would arise rich and poor, master and servant, employer and employed.

As capital and population increase, and consequently the "intensity of demand" for any given commodity, the division of labor can be extended, and costs decline, and comforts for the islanders increase. At this point, Holdich made what he called a temporary departure from his "island" to the current state of things. Some persons, he declared, have a deep prejudice against large establishments and great capitalists. Rich men in extensive business are often viewed with envy by those who "should rather consider them benefactors." They are called "monopolists of labour or of wealth, and engrossers of the profits of the smaller establishments." But the "facts" tell a different story, asserted Holdich. Why? The larger the capital invested in any establishment, the greater the division of labor, the larger the quantity used, the lower the price, and the better the quality of goods. The capitalist whose sales are $50,000 annually can sell more cheaply than one with $10,000 sales and "make more in the bargain." Consequently it is better if smaller establishments are merged into larger ones. Unfortunately, "every man having a few thousand dollars is ambitious to set up for himself."

Then Holdich returned to his "island" to sketch the beneficence of inventions in reducing the amount of labor required and thus the expenses of production. If the article to which the invention applies is one of unlimited demand—books, for instance—there will be as much if not more labor employed, but with a heavily increased yield. If the article is one of limited demand, the superfluous labor will be thrown out. But if this occurs, "human ingenuity will be put in requisition to find out new modes of profitably employing it"; or,

in other words, new inventions will be made for the accommodation of mankind. This explains the rise of all new articles.

Now, the extension of the division of labor applies not only to industry but also to civil affairs in the growth of the island. As population increases and wealth accumulates, as the colony's affairs become more complicated, as knowledge and refinement increase, a greater division of labor must occur in civil affairs so that things may be done on the most approved and permanent principles as against the earlier less careful methods. Thus, for example, in "the comparative simplicity of our civil arrangements a *lawyer* designates every class of legal practice. But in England sergeants at law, barristers, advocates, counsellors, were all distinct branches of the profession."

But to return to the island again, the growth of division of labor and trade calls for the use of a medium of exchange to replace the cumbersomeness of barter. After briefly sketching the advantages of specie for that function, Holdich turned to the topic on which he spent most of the time. This was the rise of banking in the "island." Without specifically mentioning the sub-treasury proposal then being agitated in Congress, Holdich presented the analysis in such a way as to make it obvious that it would be the most disastrous event that could befall the country and especially the poor.

Colonies, he began, do not usually abound in precious metals. They will necessarily have a smaller amount than older countries, where they have had a longer time to accumulate, and greater means of importing it. But as the colonists' sales increase, they will increasingly feel the need of money. The demand for money in every country must be in proportion to the business transacted. Without an adequate supply of money, factories cannot be built, improvements made, or labor paid. This difficulty all nations have felt. A plentiful supply stimulates trade of all sorts, and this in turn creates a demand for more money. Thus the demand for money will always increase faster than the supply. "Hence our little imaginary colony is a picture of all the nations of the earth." Its business stagnates for want of sufficient medium of exchange.

But at length some "profound mind" gets the idea that if some commodity can be used for the purpose of immediate circulation in such a manner that the specie can be had when necessary, the object will be achieved. Since the other commodity can serve all the ordinary purposes of circulation and specie is rarely wanted, then

three or four times the amount of the specie can be employed in the form of the substitute; in other words, the specie is made to do three or four times the work it otherwise would.

After the plan is proposed, a certain "heavy capitalist" converts his property into money and begins trading in the commodity. A person having skill and industry but lacking capital would otherwise be lost to the community, but he can go to the capitalist and get the money in return for his note, ample security, and an interest charge. Similarly, an individual may have money due him and need it for his business; so the capitalist will discount his notes. The capitalist can circulate three or four times as many notes as he has specie because his own notes circulate as money and the specie is seldom wanted. Once the system is established, the capitalist has no difficulty in obtaining specie; for as long as the people have confidence in his notes, they will prefer them to specie because of their superior convenience and will deposit their specie in the capitalists' hands.

But there is one inconvenience of paper money—its possible effect in helping to bring about inflation and panics. Prices are graduated according to the money in circulation. For example, if money is plentiful and easy to obtain, prices rise; when the amount in circulation is reduced, prices fall. These price fluctuations are a serious evil, but they will always occur.

The evil does not originate with the capitalist, and he does not necessarily contribute to it. It originates in those things which affect his business and which operate on business generally, such as unfruitful seasons, public calamities, destruction of property, and all other things that derange trade. The capitalist's business is affected by the general business of the community. When there is a great demand for money, he does a thriving business; when demand is curtailed, he does less. If there is a tendency toward a panic or a sinking of public confidence, the capitalist must be cautious and draw in loans.

A metallic currency would not avoid the fluctuations. The paper money does not create them; it only makes them greater in proportion as it enlarges the circulating medium. So the longer the lever, the greater the power; but that power is good or evil according to the direction given.

Here lies the real evil. The fluctuations offer opportunity for designing men to start rumors to shake public confidence and create a panic and fall in prices in order to buy low and then, after the

panic passes, sell at an advance. Also petty and unskillful capitalists, in order to increase their business, lend too freely and issue excessive amounts of notes. Many of them are thereby driven to failure, but at the same time they injure others. In any event the good of banks overbalances the evil.

Then naturally Holdich reminded his listeners that the capitalist is really the modern bank and that he has been laying down the principles of modern sound large banks everywhere. True, all banks in Scotland and some in England have unlimited liability, and the American banks limited liability; but this is merely a slight difference in form, and the beneficent effects are much the same.

No wonder the most enlightened opulent nations have banks, while countries which do business on the small amount of specie that falls to them are depressed and degraded. Where only a metallic currency is used, as in Russia, Austria, and Denmark, the people are enslaved and all the wealth monopolized by the aristocracy. But in France, Holland, and Great Britain, the readiness with which industry and skill may be set to work because of banks has raised up from the "middle and lower portions of society," a powerful moneyed class which has successfully disputed the right of power with the ancient nobility.

In fact, the invention of banking has been the most potent factor in revolutionizing society. The rich do not need banks, for they have their resources at their command; but the poor can get capital through banks and rise from poverty to wealth and vie with the lords of the soil.

The lecture was so popular that Holdich repeated it before a "still more numerous and respectable" town audience, and finally he had it published.

After serving fourteen years at Wesleyan, Holdich became in 1849 secretary of the American Bible Society, with headquarters in New York.

### LATER FREE-TRADERS: AMASA WALKER, JOHN BASCOM, GEORGE OPDYKE

At the end of the period, the dominant sentiment on currency among the learned in New England, especially among free-traders, had become definitely Jacksonian. The outstanding leader of this development was the able Amasa Walker (1799–1875) of Massa-

chusetts. The son of a blacksmith, he had acquired financial competence without the benefit of a college education. He became a successful shoe manufacturer in Boston and also a railroad promoter.[46]

Originally he had been a strong supporter of Clay and the American System, but after Jackson became President he became a Jacksonian Democrat because of the stand of the Jacksonians on paper money, banks, and the sub-treasury. He suffered from the panic of 1837, but this did not deter him from supporting Van Buren in 1840. In that year he retired from active industrial life, but he continued to be a bank director. He devoted himself primarily to politics and education. He served in the legislature and as secretary of the State of Massachusetts. His opposition to slavery was such that he cooperated with other abolitionists in the underground railway movement and in establishing Oberlin College. But his underlying social conservatism was evidenced by the fact that his signature, along with those of other highly respectable citizens, was attached to a circular which called upon the Boston newspapers to avoid giving publicity to "Fanny" Wright's lectures.

Walker lectured on economics at Oberlin, Amherst, and Comer's Commercial and Nautical Institute. From 1853 to 1860 he was an examiner in political economy at Harvard. Throughout the period he contributed essays on economics to the New York organ of the commercial and financial community, the *Merchants' Magazine*.

Political economy is a businessman's science, he declared. Firmly believing in the wages-fund doctrine, he maintained that wages depend on the disposition of the owners of wealth to employ it in paying labor, and this disposition depends on the security and profitableness with which this capital can be employed in production. Wages vary according to physical, mental, and moral powers. Laborers should study accounting and bookkeeping; for these, by leading to careful savings, eliminate the only natural advantage of the employer, the ability to wait. Wages are low in agriculture because it is a wholesome employment, as McVickar argued. Mechanics should get higher wages and work less hours than farmers, for they have indoor occupations; but recourse should not be had to legislation. These ends will be achieved when the working class becomes sufficiently apprised of the facts, and the laws of health are properly understood. The lowness of women's wages should not be attacked because the prevailing ideas of the community restrict them to easily dispensable occupations. Rent is due to location and fertility, but private prop-

erty in land cannot be questioned because such ownership is essential for production. The argument that every child is entitled by natural right to land is silly. He is entitled to the richer inheritance of society—to ease and protection in infancy, education and culture in childhood, training and discipline in youth; and in manhood, use in common with others of all the institutions of social life.

On the other hand, as a successful independent enterpriser, though somewhat old-fashioned, Walker did not altogether approve of corporations. When capital can be concentrated in vast aggregations, he said, this increases the natural power of capital to tyrannize over labor. Corporations should not be allowed to obtain credit, because if they do they have no justification for their existence, and with their privilege of limited liability will drive out the men of small capital.

His main interest was money and banking. To secure stability of prices he advocated Gouge's early ideas. He wanted a bank paper currency based on 100 per cent specie reserve. This was to be achieved by gradually eliminating most notes, beginning with the small ones. Specie, he said, is the only "value" money, for its value is determined by labor cost and is self-regulating, whereas the "mixed currency" of the present system causes commercial convulsions every seven years or so.

Under the present system banks expand their note issues until the gold reserve is a small percentage. An inflation of prices results, and when the inevitable drain of specie for export occurs, banks must reduce loans and accommodations four or five times the drain of gold. Merchants are driven to the wall. Furthermore, under this system the banks force merchants to leave with them a certain share of their loans as a sort of permanent non-interest-bearing deposit, which in turn becomes a basis of inflation. At the same time, young enterprisers are deprived of credit, which goes primarily to the large concerns, and they are degraded to wage laborers. The encouragement to home industry intended by the tariff is neutralized by the expansion of currency resulting in high domestic prices.

Laborers are also losers. In the period of inflation wages lag because, while goods are subject to a double demand—an actual and a speculative one—there is only one demand, the actual one, for labor. On the down turn the laborers are the first to suffer because, having no savings, they must take whatever is offered or starve; but the businessman can hold on and retard the fall of prices.

Early in 1857 Walker foresaw another commercial crisis. The crisis came, and Walker emerged a prophet. He was struck by the fact that the suspension of specie payment was caused immediately by the deposit holders, not the bank-note holders; that the country bank reserves held in the city banks were not effective reserves but expanded credit and deposits in the city banks; and that bank loans created the deposits. But he stuck to his old remedy.

The gold discoveries could not create crises and panics because the gold would simply eliminate an equivalent of credit and so make possible the more rapid achievement of the 100 per cent reserve.[47]

Though often accused of being an enemy of banks, he always with justice referred to himself as a businessman and declared that he supported banks in their legitimate purposes. "It would ill become one," he said later in Congress, "who for the greater part of his life has been a customer of the banks and concerned in their management, to indulge any unkind or ungenerous feelings towards them." [48]

Summarizing the faith the New England free-traders generally held at the end of the period was the Reverend John Bascom's *Political Economy* (1859), which was used at Yale and at some small colleges. Bascom (1827–1911) was a professor at his alma mater, Congregational Williams College, where the Hamiltonian philosophy ruled, except on free trade.[49] Like those of his contemporaries, Bascom's interests were varied—from English literature to theology—but he seems to have been more skeptical than the average professor in matters not closely affecting the established economic order. He had started to study law, but he could not stand its chicaneries. President Mark Hopkins was famous among alumni and college presidents, but Bascom dissected him as an opportunistic administrator. Having been taught by Hickok at Auburn Theological Seminary, he had only contempt for Hopkins's crude version of the Common Sense philosophy.

He studied for the ministry, but after finishing his training in 1854, his "failing eyesight," as he put it, made him willing to accept the professorship of rhetoric when the Reverend Joseph Alden, professor of "Political Economy and Rhetoric," [50] left and his chair was divided in two. But Bascom's friend, the Reverend Arthur Latham Perry, who had become professor of "History, Political Economy, and German," encouraged him to write his book on economics.

Bascom claimed that he was using the "deductive" method of the standard English authors "with its rapid, easy, and positive movement so fascinating to vigorous and inexperienced minds." The book outdid its English models in its acceptance of the individual's pecuniary calculus as the sole guide of the general welfare. So universal and certain, said Bascom, is the pursuit of the largest gain with the least effort in pecuniary transactions that the theorems of political economy are "on a footing well nigh as safe as those of the mechanical powers."

Political economy shows that "competition and conflict" are only the "transient foam of forces—of currents uniting to work the common weal; beneath there is no real strife, no permanent conflict between the several classes of producers." Thus the interests of production—that is, of pecuniary gain—are "more provocative of virtue than virtue itself." Exceptional cases need not be considered because "the safety of economic theories is that they deal with masses and general movements."

Since the absorbing love of profits is the first and best of men's impulses which can be emancipated from the protection of government, the chief office of government in connection with production is "protection" to property, "to furnish an open field in which it [production] may bring forward its own motives, guide its action by its own laws and enjoy its own reward."

The term "monopoly" must be restricted to exclusive legal grants, otherwise all property may be termed monopoly, since its possession and use are necessarily exclusive. Land is called a monopoly, but if its acquisition and transfer are not restricted by law, it is no more so than any other property.

Outside of restrictions on banking corporations to safeguard the currency, and on railroad companies to prevent misuse of the right of condemnation, no regulations are necessary for corporations, since their aim is to give greater efficiency and safety to production without interfering with the rights of others.

The most important problem is currency. Bascom even analyzed currency before taking up the theory of value. Following Walker, he felt that panics and depressions would not exist if small notes were banished and large notes had a 100 per cent reserve. He frankly stated that small notes circulate at the expense of the city banks and for the benefit of the country banks. A national regulatory body like the old national bank would be useful in eliminating these notes. With the specie reserve, and elimination of small notes, profits of the city

banks and private moneylenders might increase, for the excessive number of country banks unfit for banking would be eliminated.

On the other hand, any interference in behalf of labor, in particular by trade unions, is doomed by the doctrines of Malthus and the wages fund. Rapid profits spelling greater prosperity are better for a country than slow profits, for the means of subsistence will then far exceed the population if it is provident and prudent. Furthermore, the growth of profits makes for greater virtue and benevolence in the capitalists, the moral leaders of the community.

The rich are guilty of debasing luxury and vanity, but these are evil only because restricted to one class. Capital for the continual employment of labor in necessaries is withdrawn to be expended in debasing luxuries. But if the capitalists' skill and capital make the luxuries of today the decencies of tomorrow for all, then capital will have achieved the complete triumph of its pre-ordained end. This, however, presumes the perfect social state. So long as the vanity of wealth is a ruling motive of acquisition, the interests of production forbid that "luxury should be restrained or any more generous impulses be forced on industry than those of the social state which sustain it." The remedy is not physical—that is, legal—regulation, but moral or self-culture. The capitalists' wise expenditures for refined tastes create a healthy emulation in the masses; for these tastes, being open to all who will labor, will incite to the acquisition of wealth.

But if the population lacks self-respect and prudence, the increase of industry achieved by the capitalists will not save labor from a wretched fate. The positive check of destitution comes into play "where prudence and reason can no longer reach the man gravitating downward into the abyss of his animal nature." Thus physical relief to the poor is the most vicious form of aid. Only by a thorough "educational" process can they be restored to mankind and placed under the higher law of self-guided and responsible action.

The "luxurious vanity of the higher, and improvident squalor of the lower class are natural counterparts," Bascom wrote. The splendor at the upper extreme shines too remotely to quicken the despairing life at the lower, and "the repulsive garb and aimless inanity of the lower are too great a gulf to secure the sympathies or command the fear of the higher." The very fact that the highest rank is not free of vanity evidences the greater viciousness of the lowest. But intelligence follows prosperity and works its way from the capitalist downward to the "mean and menial life" of the mass. Only as the capitalists

rise in wealth, and thus in virtue, can the lower follow the prosperity of the higher life. It is only of slight concern that in the early stages of production, and hence of culture, capital is grasping, eager to consume itself in individual luxury; for much of labor at the time is "reckless and improvident, using its advantages like the food of lepers" only to nourish and strengthen a social disease.

But from New York City, where formal American economics of the free-trade tradition may be said to have begun, came expressions of another dominant sentiment in financial matters which McVickar and the New England lights would have considered the heresies of the mass. Most prominent in this movement was George Opdyke (1805–1880).[51] He was descended of old colonial stock. His father was a New Jersey farmer. Opdyke had only a rudimentary country-school education, but an enterprising spirit. At the age of twenty, in 1825, he went to the wilderness of Cleveland and engaged in merchandising. Business was not profitable enough, and in the following year he went to New Orleans, where he became a clothing manufacturer.

He acquired a competence and sought better pastures. In 1832 he came to New York, where he became a textile importer and leading figure in the Chamber of Commerce. He also became interested in banks, insurance companies, and railroads. In politics he started as a Democrat, then became a prominent figure in the Free Soil Party to oppose the extension of slavery, and finally turned to organizing the Republican Party. But, while opposed to the extension of slavery, he did not favor equality of black and white; on the contrary, after the Civil War he bitterly opposed giving the vote to the freedman.

Business and politics did not occupy all of his time. He kept up his reading, studying, among others, Jefferson, John Stuart Mill, Bentham, and Comte. In 1851, at his own expense, he published *A Treatise on Political Economy*. Mill's book, he said, like other scientific works on economics, is the product of a mind reared and educated under political institutions different from those of America. Opdyke aimed to supply a work suitable for America's republican institutions.

All phenomena connected with wealth are produced by and subject to uniform natural laws, he declared. He opposed the extension of slavery, but he also opposed easier western settlement, at least to the extent of denouncing "land reform."

The just principle of land distribution is the American public land

system of sales at a minimum price and to the highest bidder. All have an equal chance and pay an equivalent for the exclusive right over land. If the locality is adapted to commerce and the arts, the equivalent will be high in comparison to agricultural sites where less skill is required. Some sections will remain unsold, but when the swelling tide of industry and capital has made the minimum price the true money equivalent of the remaining sections, they too will find purchasers.

Land does not possess real value in fact. Its value is the reflection or counterpart of capital either placed on it or standing ready to aid in production. This shows that the value of unappropriated land is nothing, but it cannot be given away because of government expenditures to extinguish Indian titles and make surveys.

Under the present system proprietors acquire their rights by purchase in an open market or by inheritance of lands originally obtained by purchase. Therefore no one becomes a landowner without giving an equivalent in exchange. Even when the lands are fully occupied, equality is maintained by forbidding entail and primogeniture.

Opdyke of course opposed any restrictions on bequest and inheritance of land. Land is inextricably blended with capital, and any legislative restrictions, like any attack on property, would destroy the stimulus to industry.

Limiting public land sales to actual settlers, he said, is based on the vicious doctrine that land is a free gift for the common good. Proponents contend that this proposal would prevent speculation and undue dispersion of the population. But as for dispersion, the market value of land cannot increase faster than population and capital. Speculative purchases occur frequently only in a period when man's gambling propensity is fed by currency expansion and runs riot in all commercial activity. When the delusion is over the speculators must abandon their purchases because they are unprofitable. Furthermore, the measures would exclude from the benefit of a legitimate traffic in the public lands, purchases for investment or future settlement. The traffic would be monopolized by those able to settle immediately, and these in a good part are foreigners. In addition, to determine a bona fide settlement, motives must be investigated. This would lead to the odious insolence of the subordinate government agents. Finally, since individuals would find ways to circumvent the regulations, gambling in the national domain cannot be suppressed.

The proposed Homestead Acts are based on the false principle that society owes its members the means of support. Inalienability of homesteads amounts to confiscation of the property of creditors, who often are poor mechanics. Thus some western states have exempted from seizure for debt ordinary seized farms and agricultural implements, on the supposition that the "idle, the improvident, the unfortunate," under no legal necessity to pay their obligations, would thereby be enabled to live off the industrious and frugal. At the same time, he advocated the Loco-Foco demand that ordinary commercial bills and notes not be enforceable in the court so that vexatious lawsuits and extravagance would be reduced.

The novel features of Opdyke's treatise were his financial proposals. Commercial crises, he held, would be avoided if the bank notes were suppressed and government instead issued an inconvertible non-interest-bearing currency amounting at all times to ten times the population. Taxes would be less, but the primary objective was stability of prices. This also meant, in view of the gold discoveries, that the content of the gold coinage should be raised, but not the silver. True, since banks hold the gold, they would suffer from the change; but if the present mint price is retained, creditors would suffer.

His modified views after the panic of 1857 met with less opposition. He had called on the banks to restore confidence by extending loans on good securities and credit of "undoubted security." And this notion continued to guide his speculations. Crises, he held the following year, are not to be attributed to merchants and private bankers, but to the deposits of the New York City banks which control the banking system of the country. "All banks contract and expand in sympathy with New York banks. This central expansion sends its impulse to the remotest limits of the monetary system, enhancing prices, enlarging commerce, retail as well as wholesale, and thus calling forth an enlarged issue of bank notes to meet an enlarged demand." Taking his stand on Mill, "than whom there is no higher authority," Opdyke now declared that deposits are money, and since deposits arise from discounts, the discounts ought to be regulated.[52]

In 1859 an impressive committee of New York merchants and bankers, of which Opdyke was chairman, recommended that the New York banks be forbidden to extend their loans, discounts, and other investments beyond their specie holdings and one and a half times their capital; that they be forced to maintain a 20 per cent

specie reserve against immediate liabilities exclusive of bank notes. New banks, before beginning operations, must have their capital fully paid up in specie, and all banks must cease making loans either directly or indirectly on stock. Second, all usury laws must be repealed. Third, Congress should suppress all bank notes under ten dollars by a tax or stamp duty. And, finally, the government should receive gold from the people and issue certificates of deposit for it in sums of not less than one hundred dollars.

The committee was careful to point out that they opposed all government issues of paper money. Under the proposed measure the government receives gold in special deposit and the transferable receipt enables every possessor of gold in effect to place it in circulation immediately. The public will have as full use of the gold as if it were actually passing from one person to another by an active circulation. The scheme furnishes not only a supply of coin available in case of need, but also a means for remittances throughout the United States. The measure, along with the suppression of small notes, would increase the metallic basis and operate as a powerful corrective to an undue expansion of paper money.[53]

## CHAPTER XXVII

# The School of Wayland

### THE REVEREND FRANCIS WAYLAND: IDEAL TEXTBOOK WRITER

THE problem of a proper free-trade textbook was solved with the publication of a popular treatise by the Reverend Francis Wayland (1790–1865), president of Brown University, in 1837.[1] He was a New Yorker by birth and education. Like the general run of academicians, his parents were of the lower middle class. His father, after accumulating a competence as an independent craftsman, became a preacher to outlying, financially precarious Baptist churches. But when his father's investments collapsed, young Wayland was forced to struggle for an education.

Wayland received his college education at Union, where the faculty consisted of three members headed by the president, the

famous Reverend Eliphalet Nott, who was highly successful in acquiring a fortune for himself, in obtaining funds from the New York legislature for the college, and in teaching students the ways of God and the world. At Union, Wayland received a thorough indoctrination in the Common Sense philosophy through the works of Dugald Stewart and Lord Kames. Graduating in two years, in 1813, he spent the next three years learning medicine in a doctor's office, but after he got his license he decided to enter the ministry. This, too, proved unsatisfactory, and he accepted the professorship of mathematics and natural philosophy at his alma mater in 1826. Wayland had occupied the position hardly a year when he was appointed president and professor of moral philosophy at Brown University, an old Baptist institution.

The thirty-one-year-old president admirably suited the aggressive commercial metropolis of Providence. One of his first acts was to add Political Economy and the "Evidences of Revelation" to the course of study. Wayland took an active interest in all the movements that a respectable person should, from acting as a visitor to West Point to promoting missionary enterprise. He wrote voluminously on current affairs, and even his sermons were by no means restricted to theological topics. In politics he was, as were the general run of college presidents, a Whig; but he was of the free-trade variety though with enough qualifications to find some encouragement to manufactures acceptable.

He always stressed religion as the great force for maintaining social order, especially in a republican form of government. Stability was kept amidst political commotion by the balancing of the interests and passions of one class of the community against that of another; but, since the United States had only one class, the people, there were no political checks against the encroachment of a tyrannical majority. Hence the safety of American institutions depended on the people's being restrained by moral principles.[2]

Personal liberty and private property are the great principles of moral science and the social fabric, he declared, in his popular *The Elements of Moral Science* in 1835, but personal liberty appears to be a derivative of private property in his analysis. "Justice" he discussed in respect to property. Property, he said, is an exclusive right and is founded on the "will of God as made known to us by *natural conscience*, by *general consequences*, and by *revelation*." Property is acquired directly by the immediate gift of God, as in the

case of land, and by labor. It is acquired indirectly by exchange, which is derived from the right of property.

In the same category, Wayland placed possession as well as gift and inheritance. The latter included such cases as where a man has by fraud obtained the title, but rightful claimants having died, his claim is better than all others. Those making it their business to sell were not only bound to sell, but also at liberty to sell, at the market price. Just as a seller is obliged to sell an article without remuneration and even with loss if the price falls while the article is in his possession, "so he is at liberty to sell it above a fair remuneration if the price advances." Thus his chances are equalized. Besides, the rise in price attracts additional supplies to the place of scarcity, and thus the price is again speedily reduced to the ordinary and "natural equilibrium of supply and demand." The seller is obliged to furnish goods at market price and market goodness, but he is not obliged to assist the judgment of the buyer.

He justified interest on the familiar ground that the borrower has a profitable use from the money. Exorbitant interest is prevented not by usury laws, but by free competition. A debtor is not morally relieved by an act of insolvency. The more rigid the observance of contracts, the quicker the increase of capital, the greater the inducement to frugality, and the stronger the barrier against extravagance and vice.

Poor laws are vicious, for they destroy the natural stimulus of self-help. "Where poor rates are the highest, the poor will be found the most discontented and lawless and the most inveterate against the rich." In fact, any form of charity is bad except a certain amount of individual charity.

By the explicit teachings of the Bible, he found that slaves are bound to obedience and submission "not only to the good and kind [masters] but also to the unkind." Even resistance by the slaves to injury is not authorized. Acting on these principles, "the slave will achieve a purity of moral character" which the master as such can never attain. Any attempts by Congress to abolish slavery would violate the Constitution, which leaves the matter to the states. The aristocratic *New York Review* commented that on slavery Wayland "thinks as all Christian men think." Congressional intervention would be the same thing as an individual's attempting to impress his will upon others.[3]

It was not surprising that in the preface to *The Elements of Po-*

*litical Economy* which first appeared in 1837 and was slightly revised in 1841, Wayland stated that the principles of economics are so closely analagous to those of moral philosophy that almost every question in the one may be argued on grounds belonging to the other. Such a treatise should have been written by those having experience in business, he said, but he had undertaken the task because there seemed little hope that men in active business would do so.

Political economy is the science of wealth. Science means a systematic arrangement of God's laws so far discovered. "It is obvious upon the slightest reflection that the Creator has subjected the accumulation of the blessings of the life to some determinate laws. Every one, for instance, knows that no man can grow rich without industry and frugality."

Wayland scrupulously avoided discussing slavery in his economics textbooks, but he said a great deal on private property. Labor will be applied to capital only in proportion as "every man is allowed to gain all he can." Legislative interference with the individual's freedom to employ his capital and labor as he chooses constitutes "public oppression." Being a Whig, he naturally found Jackson's financial policies "oppressive." He took his stand on banking with Condy Raguet, "one of the acutest and most learned political economists in this or any other country." Government has no right to say that the circulating medium shall be specie if the people "desire" paper, so long as the notes are convertible. It is said that the bank, as a corporation, is a creature of the legislature; therefore the legislature may impose any regulations it deems desirable. But legislation never confers rights; it merely confirms the rights which previously existed. The act of incorporation is merely a power granted by the legislature to several individuals to do some innocent act as a group which any one of them could do individually without any legislative act. Therefore to levy taxes on a bank and exact bonuses for a charter is unjust and oppressive. A man might as well be charged for the right of trial by jury. It is said that the banks have a monopoly of money under the existing procedure of legislative grants, and therefore should be subject to particular legislation. But since the legislature, not the banks, created the monopoly, it may not plead its own wrong as an excuse for injustice.

Where banks have engaged in fraud, they are generally banks which have been decidedly partisan in character—that is, founded out of favoritism. But the evils resulting from the system are charged

upon banks and bank directors instead of on the legislature from which all these evils emanate. In some of the states banking capital is taxed so heavily that honest management cannot obtain a fair profit. Consequently men of character and capital abandon banking, and the stock falls into the hands of the less scrupulous.

So, like the Loco-Focos, Wayland called for a free-banking act, along with the elimination of small notes. Wayland said that he had discussed banking control extensively because a general disposition always exists to interfere with the right of capital. Men too frequently assume that capital available for loans is owned by the rich, that by overtaxing and oppressing it only the rich suffer, and the rich as a minority must bear the injury without any redress. But such capital easily eludes the grasp of oppression and is transferred to more congenial climes. The industry of the country will languish, its population diminish; and the majority will find too late that the blow aimed at the minority has recoiled upon themselves.

Suspension of specie payments by the banks, though contrary to the obligations of the charters, is justified under "a universal and unexpected calamity," as apparently happened in 1837. Of course, the ultimate cause of the crisis was that men had not been sufficiently religious and given to pious uses; this spirit would have moderated their acquisitive instincts so that they would seek gain by industry rather than by speculation and get-rich-quick schemes. The immediate cause of the crisis, he explained in two sermons published as *The Moral Law of Accumulation,* was the intense fever of speculation and consequent overissue of notes and credit in the absence of a Bank of the United States. Prices have necessarily fallen, but debtors should not attempt to avoid meeting payments contracted both at home and abroad at the high prices. Furthermore, the people, instead of hoarding specie, should deposit it in the banks so that the banks may resume specie payments. Banks which were solvent before the crisis are still solvent in fact. The only difference is that previously convertibility was an obvious guarantee that the banks would redeem their notes; now that guarantee is withdrawn, "and our only security consists of the confidence which we repose in their management." If such confidence is extended, the storm will be weathered, because the banks avoid trying to get rich by extraordinary means and instead follow the practices to which they are not accustomed.

The crisis can only be temporary, for the nation's capital and labor have not been lessened. Famine cannot be the cause, for just before

the crash the laborers were so well off that they were demanding very high wages and returning less product.

In the textbook he further explained that crises arise from the absence of a Bank of the United States, but they will cure themselves. When "the banks are disconnected" and prices are low, the increase of exports and consequently of prosperous business leads to excessive issues. Prices rise, specie is exported, and the bank must diminish loans. A universal crash of mercantile credit follows. This, however, works its own cure eventually. When a debtor fails, he assigns his property to the creditors—that is, he pays them in kind instead of in money. Hence his need of money ceases and by so much diminishes the demand. Since his property is sold at any price, prices are depressed still more rapidly; the comparative value of money is raised and hence it will be more readily imported. With the diminished demand and increased supply of money, equilibrium is restored and credit established on its ordinary basis.

The banks in times of scarcity are sadly abused because they will not lavishly extend credit to hard-pressed merchants. Of course, if the banks acquiesced in the demands of the merchants they would be ruined. The merchants have only themselves to blame for their difficulties because they wanted to get rich too quickly.

Laborers especially benefit from banks, said Wayland, because with the credit they are in the position of men laboring with their own capital and reaping all the advantages of their skill, instead of laboring under an employer for a stipulated price.

In accordance with the familiar wages-fund doctrine, he argued that if more children are born than can be supported by the laborers' wages, some of them "must starve, or in some way or other die of want. The manner in which this occurs is painful to contemplate, though in some of the older countries, it is frequently seen." Should capital increase more rapidly than the natural increase of population, wages will rise until they are so high that production can yield no profit. The deficiency of laborers would then be supplied by foreigners. If the increase of capital is less rapid than that of the human race, the prices of wages must fall, the working classes will be distressed, and they must either emigrate or starve.

Of course, the United States is a country where capital is increasing faster than the population. Here distressing poverty is rare except that arising from intemperance or some other form of vice or indolence. The common laborer, if industrious, virtuous, and frugal,

may in a few years accumulate a valuable little capital. Since competition brings wages to their proper level, combinations among laborers are not only useless but also expensive and unjust. They are expensive because they expose capital and labor to long periods of idleness. They are unjust because they deprive the capitalist of his right to employ laborers and the laborer of his right to dispose of his labor to whomsoever and on what terms he pleases. In an article he asked, "Who does not know" that these illegal organizations have "wrought the most grievous mischief, both to the capitalist and laborer?" [4] The "tyranny of trade unions" is, like legislative interferences, destructive of industry, he explained in the textbook.

Female laborers are low-paid partly because they have home support and partly because the customs of society restrict the fields of employment for females. Hence the establishment of a manufactory which furnishes a new mode of female employment advances its price. This even holds for labor in general. Everyone knows that if an opulent man comes into a community destitute of capital and establishes a manufactory, wages are doubled.

Poor laws or any charity to the able-bodied, he again attacked on the ground that "labour will be applied to capital in proportion as every man suffers the inconvenience of idleness." They would end property because they assume that "the rich are under obligation to support the poor." Thus they lead to insubordination, and the poor demand that they be supported in the style of the rich. The superannuated, the sick, and infants in public workhouses not only provide for their own support but yield a revenue to the public. Prisons, if conducted on the same principle, as they should be, would also pay for themselves.

Wayland castigated stock-market operations by admonishing "the uninitiated, who wish to escape these dangers, to be . . . careful how they speculate in stocks." As he put it elsewhere, men generally fail because they either timidly "shrink from a reasonable risk, or, allured by the promise of extraordinary gains, peril their all in too hazardous investments." [5]

He even subjected education to the traditional principles of economics. He favored general common education, but its expense should be met only partially by public funds, "for no man values highly what he gets *for nothing*." The state should subsidize higher learning, however, by supplying funds for buildings, instruments, and books. This benefits the poor, for otherwise only the rich could

afford the tuition necessary to pay a return to the promoters. The tendency toward cheaper higher education in the form of free tuition is bad because, by reducing the cost to students, the quality will be lowered as the quantity is increased. Scholarships for poor students, he said elsewhere, are bribes, for "a college education ought to be good enough to be worth having," and not such that "you are glad to give it away." His answer to the Columbia authorities who sought his advice on the organization of a university was: "Apply the common principles of business." [6]

Wayland urged that missionaries teach economics to the heathen because it is the best thing to stimulate those emerging from barbarism.[7] But equally, if not more in need of its ministrations, are the cities, for there the masses, with "intellects quickened and passions inflamed by the progress of civilization, are passing their probation under moral conditions vastly more awful than those of the most benighted heathen." [8] Sunday schools therefore should also teach economics. In the forties he felt that even large numbers of the respectable needed sound economic teaching on the question of the "repudiation" of state-guaranteed bonds. In sermon and article he denounced this action as a violation of the principles of religion, government, and economics.

Wayland granted that in various cases the action of state agents in floating the bonds and the like had been illegal, but "to keep the great fountain of power and justice pure and to maintain the state's credit, the most enlarged and liberal rules of equity should be observed." The people are violating the great principle of innocent purchase. Society could not get along without it, since it is most often applied "to the *sales and transfers* of negotiable securities."

Whether the funds were ill or well used is irrelevant in a republic where the people control. It is our fault for preferring knaves to honest men, party to country. "If we choose to gratify our partisan animosities, if we are willing to be led into folly by artful and selfish demagogues, we must, like men, meet the consequences of our . . . actions." The punishment of the loss of the few millions squandered might be the greatest blessing if it should lead us to elect "men of honour and probity."

Curiously enough, Biddle and the bank appeared in the discussion as innocent victims of Jackson's wrath. The issues had been floated during the great speculative period of the thirties, he said. The excessive speculation had been caused by the war on the bank, the

removal of the deposits, the chartering of numerous banks, and the great extension of credit by the Bank of England to houses in the American trade. In fact, the Bank of England was the principle though a guiltless source. If it had curtailed credits in 1836, the speculation would have been gradually reduced. But the bank could not have been expected to know that the high prices then prevailing in America were fictitious. Thus, once difficulties began, it was necessarily forced to restrict credit drastically. However, the speculation was merely an incidental feature of the great industrial development of the country. Since the bonds had been devoted to purposes going in the right direction, the state could and should now or in the immediate future redeem the bonds.[9]

As the cry for tariffs and government relief became more insistent with every depression, Wayland became increasingly adept at mollifying the one and denying the other. Speaking before the Rhode Island Society for the Encouragement of Domestic Industry and the Rhode Island Horticultural Society in 1852, he informed the manufacturers that they ought to depend more on themselves. In such a situation, if they do not get a rise in a tariff, they will be less despairing and less in danger of bankruptcy; if they get the rise, so much greater their profits. He told the farmers that the effects of the depression and Ricardo's law of recourse to soil of less fertility might be remedied by establishing manufactures, for these provide fertilizing materials and a home market.[10]

At the same time, he insisted that to stop the decline in college attendance the curriculum must be changed to suit the need of prospective manufacturers and merchants because these occupations have become more important than the professions. Granting the desire to pay, every man has the right to the education which will be of the greatest value to him in the prosecution of useful industry. Progress today is through the useful arts, and if the college does not alter its curriculum accordingly, the competition of new schools so organized will be disastrous, he informed the Brown University corporation in 1850. So he advocated a rather thorough elective system, along with extension lectures, whereby candidates could restrict themselves to specialized training in a useful occupation, from agriculture to optics, and obtain certificates in two or three years. The classics, for instance, should be allowed to die if they lack students. Lectures before jewelers on the chemistry of precious metals are in the proper direction.[11] Under the "new system," he had a separate professorship

of "history and political economy" established, and to it was transferred the professor of rhetoric, William Gammell, his former student.

He did not change his viewpoint on the sanctity of slavery in the southern states, but in 1854, like the northern Whigs in general, he lashed out against the Kansas–Nebraska Bill that extended the area of slavery. Heretofore "the southern people would hear Dr. Wayland, after they had ceased to hear any other northern man." Henceforth he, too, was denounced and his textbooks were excluded from southern institutions.[12]

But in the North his textbooks continued to be standard. His book on economics went into many editions, and it was even translated into Armenian. It superseded Say, except in the rare cases where the teacher wanted to use a more subtle work.

To supply the great market offered by the lower schools, Wayland prepared an abridgment. But in this market he ran against the competition of writers who were able to abridge his work still further.

## WAYLAND'S IMITATORS: MARCIUS WILLSON, ANDREW W. YOUNG, SAMUEL G. GOODRICH

First there was Marcius Willson (1813–1905). He was born in Massachusetts but raised in New York. He, too, went to Union College, and after graduating at the relatively advanced age of twenty-three in 1836, did a considerable amount of secondary teaching in the state. But he spent most of his time writing a large number of elementary textbooks ranging from spelling books to histories.

A year after Wayland's original "advanced" book appeared, Willson published *A Treatise on Civil Polity and Political Economy* for the elementary schools.

The most important knowledge an individual should acquire, he wrote in the preface, is that which will enable him honorably and usefully to fill the station which by "birth or fortune" he is destined to occupy. It is essential in a country in which government is dependent directly on the people to spread sound principles; for if public opinion is unenlightened, nothing can save us from the evils of any destructive, disorganizing popular delusion.

Willson's authorities on "Civil Polity" were the *Commentaries on American Law* by the unreconstructed Federalist, James Kent, and

the *Commentaries on the Constitution of the United States* by Joseph Story, who commencing as a follower of Jefferson, became a sharp critic of Jackson's policies, especially on the bank, and was simultaneously associate justice of the United States Supreme Court, professor of law at Harvard, and a bank president.

Political economy, Willson wrote, is just beginning to receive that attention from the friends of popular education which its importance demands. It is now introduced into most colleges and schools of a higher order, but as yet the texts are too voluminous for adoption in high schools and academies. This work he was now supplying. He said that in compiling this part he had principally consulted Smith, Say, and Wayland's "excellent manual." In fact he took pride in stating that the first twenty-three pages of his section was little more than an abridgment of the first 145 pages of Wayland.

Willson avoided the slavery issue. He set forth the familiar virtues of industry and saving, decried usury laws and the "war" on banks as a violation of the immutable principles of political economy. The banks, he wrote, could have easily weathered the storm in 1837 if they had had sixty days in which to meet their notes. But sudden presentation of bills forced the suspension. However, could they have delayed the redemption and thus prepared to meet them, this would have been worse than the suspension, for the loss of so much circulating medium would have been fatal to commerce.

He also denounced monopoly. Monopoly, as Wayland declared, is an exclusive right granted to a man or a company to employ labor and capital in a particular way, such as the East India Company. It is reprehensible. But patent rights and copyrights are not such monopolies since no right is taken from the community. The law in these cases merely interposes to guarantee a man the work of his own industry. Further, certain businesses may rightly be the subject of monopoly in the interests of the general welfare, such as building bridges, railroads, canals, for they would not be undertaken unless competition was prevented.

On the tariff Willson rather closely followed Wayland's free-trade views but allowed a little more leeway for protection, especially in the case of war supplies.

He avoided taking a too obvious stand on controversial issues in the part of his treatise devoted to political economy, but he had less reticence in discussing these issues in the "Civil Polity" part. There he declared that the rechartering of the Bank of the United States in

1816 had restored credit and a healthy action to the money market. In 1832, despite passage of the recharter measures by both houses of Congress, Willson continued, it was rejected by Jackson's veto. However, the constitutionality of a national bank is settled by the favorable decision of the highest tribunal in the Union, the Supreme Court, which is the protector of the Constitution and the sovereign arbiter between the states.

On the question of internal improvements, Jackson, he said, has exercised his veto. But the Supreme Court, while giving no direct decision, has decided that a contemporary exposition of the Constitution practiced and acquiesced in for a number of years, fixes the construction of the Constitution, and the court will not alter or shake it. It has also decided that there is nothing in the Constitution which excludes incidental or implied powers. This shows an inclination in the Supreme Court to sustain the power, and it appears to have been sanctioned by public opinion.

Congress can even impose "protective" duties under the general power to promote the general welfare. If Congress deems the protection of domestic manufactures necessary to promote the general welfare, the Constitution certainly gives it the power. The question is one of policy, of expediency, not of rights. Willson did not even question the inspection laws of the states on articles for export which charged a fee ostensibly to pay for inspection. Such laws improve the quality of articles produced in the country, he declared.

But he apparently had some doubt as to the wisdom of the country's easy naturalization law. America is the only country having a general law of naturalization. Elsewhere it is a matter of special favor and is never extended to allow foreigners eligibility to higher offices.

Willson's book enjoyed a large sale and went through a number of editions. Helping materially in its wide distribution was the fact that it was published by the American Common School Union, to which Wadsworth financially contributed.

Another New Yorker was even more successful than Willson in the lower-school market, with a treatise also based on Wayland. He was Andrew W. Young (1802–1877). He was born and grew up in western New York and received his education in the common schools. He began teaching school before he had completed his fourteenth year, and then alternated between farming and teaching until he

was twenty-one. After that, for several years until 1830, he was in the mercantile business, then came five years as a newspaper publisher. Finally he devoted most of his time to writing treatises and histories, except for such interludes as service in the New York Assembly in 1845–1846 as a Whig and in the state constitutional convention of 1846.[13]

Young published in 1835 *Introduction into the Science of Government*, designed for both elementary schools and the family library. His authorities in government were those "invaluable *Commentaries* of Story and Kent." Willson, it seems, had borrowed Young's discussion of government, and in turn, Young, doubtless impressed with the success of Willson's book, added a "brief treatise on Political Economy" to his later editions. The preface stated that the compiler had consulted Smith, Say, and Wayland, though he had "not, however, on all subjects adopted the opinions of the authors." The basic difference from the Willson and the Wayland texts consisted of the addition of a cautious "historical" chapter on the tariff which showed its beneficence. It "showed" that the country had prospered under the "protective" system which he assumed was still in existence. Of course, he said, the unequal distribution of wealth was caused chiefly by differences in industry and economy.

In defining monopolies, he declared, as had Wayland and Willson, that the objection to monopoly is not valid against all companies incorporated by public authority. Corporations are sometimes created which are of great public utility. Road, bridge, and canal companies are not monopolies, strictly speaking, because users derive a benefit greater than the price they pay for the services, and also because every person is free to use any other public road or channel of transportation. The objection that the proprietors of these companies reap great wealth from them is irrelevant. Such risky and expensive undertakings require liberal remuneration to entice prudent capitalists.

Wayland's work reached far into the community. The American edition of the exceedingly popular encyclopedia, *Chambers's Information for the People*, contained an acknowledged abridgment of Wayland in place of the original English article on "Political Economy."

The New England publisher and good Hamiltonian, Samuel G. Goodrich, went a step further and abridged the encyclopedia abridg-

ment to twenty-seven pages in his *Glance at Philosophy* which was in his popular Parley's Cabinet Library. If the country's capital is too great for the number of laborers, he wrote, capitalists will overbid for labor, and its price will rise. The condition of the people will be bettered; a smaller proportion of children will die. If this additional supply of labor will not supply the deficiency, laborers will emigrate to other countries where the proportion of capital to labor is less.

On the other hand, when the proportion of capital is small, laborers will underbid each other, and their price must fall. The condition of many laborers will become worse. They will either starve or migrate. Many children and weak and sickly persons will die of the diseases consequent upon hardship and exposure. In this way the number of human beings will be reduced until the supply of labor is adjusted to the amount of capital.

Stocks, or in general any other investment, will bring a price in the market in proportion to the amount of interest they yield, Goodrich wrote. Thus, if the market rate of interest is 6 per cent and the stock yields double, an original stock of $100 will sell for double. This also applies to land. If an acre yields $18 profit, it will naturally sell for $300. And the same principle applies whether the land is used for tillage or for dwelling houses.

## CHAPTER XXVIII

# The Northern Protectionists

### DANIEL RAYMOND: WHIG LOCO-FOCO

THE protectionists still had some of their old valiant champions around, though most of the protectionists were cautious during the period the compromise tariff was in force, 1833–1842. The support for this free-trade tariff was complicated by the strange alliance of ardent southern free-traders and northern protectionists to fight Jackson on the Bank of the United States and other financial issues. But once the defection of southern free-traders from the Whig alliance began and the Whig Party won the election of 1840, the protectionists became more strident.

The Marylander Daniel Raymond, who was more northern than southern in his general outlook, continued in his old mood. He prefaced the last edition of his treatise, now called *The Elements of Constitutional Law and Political Economy* (1840), with an exposition on the Constitution that would accord with his brand of protectionism. This he did at the suggestion of the conservative ex-provost of the University of Pennsylvania, the Reverend Frederick Beasley, who thought such an addition would make Raymond's treatise an excellent manual for the schools. In that period, when all good Whigs were vigorously asserting their belief in the people, Raymond was not engaging in heresy when he declared that the maxim that the voice of the people is the voice of God, is a sound maxim in politics. Of course, he qualified it by saying that the maxim does not hold in religion and morals, and that the voice must be the voice of the "constitutional majority"—that is, Congress. He added that the government is republican, not democratic, for only one branch, the House of Representatives, is democratic. Since no party has ever opposed the organization of the Senate or the mode of electing the President, there never has been a thorough democratic party in the country. Furthermore, Congress is restrained by the Law of God, the Law of Nations, and the Constitution. With these qualifications, when the Constitution is silent, the people, "acting through Congress, can pass any act they please," and their decisions are right. Since the Constitution is silent on the national bank, the "people" were competent to decide that they had the power to charter the bank. At a subsequent period they decided that they did not have the power, and both decisions were right. Again, the people decided that they had the right to purchase Louisiana, and the decision was right. But then came a qualifying action. They could not reverse this decision because it vested certain rights which cannot be divested. Raymond's ambiguous use of the Constitution provided a constitutional justification for the tariff; of course, they could repeal all tariff laws, but it would be disastrous. As before, he found an ever-increasing need for tariffs.

The government's surplus revenue should be devoted to public works, but they must be strictly for public purposes and should not interfere with individual enterprise. As a general rule, individual expenditures are better than public expenditures because individuals appropriate and consume the share of the nation's revenue that falls to them according to the natural division of property, labor, and skill.

Raymond's discussion of corporations, though elusive, ended on a familiar note. Public corporations, he said, are those that possess public franchises or prerogatives of government which no private individual can possess or exercise without a state grant. This includes turnpike, canal, and railroad companies with their right of eminent domain; water and light companies with their right to break up the streets; and banks with their power to manufacture money. It is too late to question the constitutional right of the legislature to grant these public franchises, but the legislature always should retain a supervisory control over them to prevent them from taking advantage of their monopolistic position. Raymond, however, gave no details of the proper supervision, except on banks.

Bank companies should be stripped of the power to issue notes, and the currency should be composed, as Vethake argued, of specie and treasury notes. But this discussion, like that of Vethake, again was full of such ambiguities that Raymond could appear to be both for and against a Bank of the United States depending on whether it was in existence or not, and also be in reality opposed only to the chartering of new state banks.

In a pamphlet he wrote in 1841, Raymond supported Tyler's exchequer plan, but wanted it stripped of any features that might lead to government competition with private banking. The government note issues should be limited to its revenue and be fully backed by specie; no deposits of specie should be accepted, and in no way should it deal in domestic exchanges directly. There is a great outcry, he wrote, over the "ruinous" rate of exchange, its "dearness," and the necessity of the government's doing something to cheapen exchange. But the source of the evil is in the currency, not in the exchange. Let the government regulate the currency so as to make it of sound and uniform value, as the exchequer plan does, and the "exchanges will regulate themselves"—that is, "the demand and supply will regulate them, the same as demand and supply regulate the price of everything else." [1]

He was explicit in his approval of "private corporations." Private corporations, such as those for manufacturing, insurance, and banks without the note issue privilege, are exceedingly convenient and beneficial to the public. The act of incorporation allows the combining of small amounts to obtain the necessary large capital to operate. The only effect of a charter is to make a unity from a multitude and enable them to transfer their property without the legal impedi-

ments which attend partnership transactions. A corporation possesses no franchise or privilege which private citizens do not possess. These private corporations may be multiplied indefinitely without damage to the public, provided they are secured against the depredations of stock jobbers and speculators. These obtain control of a corporation in order to victimize the stockholders. Knowing that the market value of the stock is regulated by the dividends, they reveal nothing to the stockholders of the company's operations; but, depending on whether they want to buy or sell stock, they issue dividends under or above actual earnings. This abuse can be prevented by forcing the companies to make accessible to the stockholders an annual balance sheet; and unless the charter provisions are to the contrary, all profits must be distributed to the stockholders.

Raymond's last contribution was an article written in 1848 in the *American Whig Review*. In it he denounced the Democratic Administration for suggesting that a reduction in the price of public lands from $1.25 an acre might lead to an increase of revenue from that source, and thus require less from the tariff. The public lands, said Raymond, are cheap at the price, and the reason they do not sell extensively is simply because they are not wanted. Consequently, lowering their price will not increase the revenue. The Administration should understand that a protective duty is wanted, among other things, to secure for the farmers of the Ohio a steady and sure market at their door for all the products of their farms instead of leaving them to seek a market across the Atlantic. Thereby they can make their exchanges in Cincinnati instead of Liverpool.[2]

The northern protectionist economists made up for the defections from their ranks by the increasing dogmatism of their views on all questions.

### WILLARD PHILLIPS: SPOKESMAN OF MATURE MERCANTILISM

Willard Phillips, writing in 1838, was disturbed that most economists were evolving too complex explanations in arriving at a theory of value that would justify the return on land. It is pointless and embarrassing to attempt to prove that the value of land is created by labor, he declared. In the United States the land is an instrument of production of a certain value in the land market and yielding a certain rent and paying a certain tax. Whether the value has been dug

up from the earth or rained down by the sky is of little interest. Economists should hold fast to value as exchange or market value. But in the course of showing how simple value theory becomes when so viewed, Phillips entered into what was perhaps more significant, an inquiry into commercial cycles.

For instance, said Phillips, a seller in a community where confidence is strong, credit easy, and enterprise rife holds out for high profits on the presumption that he can easily liquidate his debts and acquire a competence any time. But the indebtedness reciprocally accumulates and augments, and a network of obligations embraces the entire community. Eventually a crack occurs, the network trembles, and he is dragged down by his creditors in the process of attempting to collect his own debts. The only way he can acquire money is to sell his assets. Since all others do likewise, prices fall—"that is, value in money, not value in other commodities."

The market thus has its "cycles of five or seven years, perpetually recurring. . . . The causes of the variation are so multiform and occult . . . that the changes" are more perplexing and inscrutable than the motions of the celestial bodies. The latter can be computed, demonstrated, and predicted, whereas the most that science or experience can do in regard to commercial phenomena is to prognosticate as sailors do the weather. This great current of the market is irregularly disturbed by eddies, cross-currents, and counter-currents of the market value of particular commodities, owing to local and temporary causes of greater or less extent and duration.

These causes of value must be rightly understood for any subsequent inquiry of the science. But this is really easy. It simply requires that the teacher skillfully and clearly present all the topics in a connected view, assigning a just proportional importance to them. "It is, in general, merely the exhibition of what will be obvious to the intelligent reader on a mere statement, without proof or argument."

Capital is likewise not hard to define, for it means simply "those transferable deliverable things which bear a market price." Thus a slave is capital, but not a freeman. The capacity of a freeman to earn wages is as good as capital, since it affords an income; but, though he can agree to use this faculty for another, this is an agreement and not the transfer or delivery of a thing. Wages are somewhat in the nature of a combination of rent and interest.

Phillips strongly supported patent legislation for "inventors," including importers of "improvements." In his *The Law of Patents for*

*Inventions* (1837) he included an elaborate defense of patents. He took the familiar ground that patents are necessary as a recompense and reward to the inventor for benefiting the public.

If the inventor is not granted an exclusive monopoly for a period, and instead is "exposed to a universal competition in the manufacture and use of his invention, the probability is that others will turn it to better account than he can himself, since the chances are very great that some one may possess greater advantages for prosecuting the manufacture and selling the article." Thus without some assistance from the legislature he will be dispossessed of his rights.

The granting of a patent is not a mere matter of favor by the sovereign authority, as some jurists contend, but an equitable and just claim to the protection of individual industry and private property. Though property in a discovery, just as in land, "originates in and is created by legislation, the right to such property exists to an imperfect degree independently of positive laws. . . . The inventor has a right to keep his secret, and if he discloses it, he has a just claim to remuneration and reward, according to the amount of his expenditure, and the importance of his improvement."

Another reason for granting this species of monopoly is that by stimulating new inventions and improvements, it allows the community to obtain greater amounts of luxuries, conveniences, and necessaries at the same expense. This entitles the inventor to a reward in addition to a return for his time, labor, and outlay. It would be considered paltry to maintain that a general who has achieved a victory is sufficiently compensated by his pay during the time he gave to the achievement. Certainly without the protection of a patent, people would not undergo the costly expense involved in invention and improvement.

The really critical point that Phillips raised was that the granting of patents should not be too rigorous, as in England. There in the House of Lords, Lord Kenyon had denounced the patent system as bringing about the oppression of "inferior mechanics"—the small manufacturers—by the opulent ones. Phillips answered that such oppression, if it really existed in England, is due to the illiberality of interpretation of patent acts by the English judges. Their rigor renders patents precarious; consequently only people of great fortune speculate in this species of property. Heavy taxes on patents have the same effect.

The judge whom Phillips extolled as the great authority on

patents was none other than Supreme Court Justice Joseph Story. Story, Phillips declared, rightly held that the "inventor" was not to be subject to any "over-nice critical refinements," and should not be forced to "fritter away his rights upon formal and subtle objections of a purely technical character."

Phillips was naturally cautious on the tariff in the period of the compromise.[3] However, by the time he wrote his second treatise, *Protection and Free Trade*, in 1850, he could be outspoken in its defense. And all the while Phillips, like the other protectionists, was keenly aware that the "commerce" which he formally attacked in espousing protectionism was still the great interest. This was perhaps best evidenced by the successive and enlarged editions of his *Treatise on the Law of Insurance* which practically confined itself to maritime insurance.

### THE "PUBLIC ECONOMY" OF THE REVEREND CALVIN COLTON

Most flamboyant in defense of protectionism, once the issue was wide open for political controversy, was the Reverend Calvin Colton (1789–1857), graduate of Yale. After trying his hand in the pulpits of both the Congregational and the Episcopal churches and finding that his voice was "failing" him, he engaged primarily in helping the political career of Henry Clay. He wrote Clay's campaign biographies, published his works, and fervently espoused the various aspects of the American System, from a private national bank to a tariff, as occasion warranted.

In the campaign of 1840, while eulogizing the Whig candidates as the real democrats and denouncing the Democrats as aristocrats, he charged that Brownson's *Laboring Classes* represented the dastardly views of the Democratic Administration. It sought the "abolition of Christianity and Education" and advanced "the most radical agrarianism." The right of bequest was "dearer to man than all other rights."[4] In the campaign of 1844, with Brownson still supporting the Democrats, Colton felt that Brownson's claims to conservatism were merely subterfuge. But at the same time Colton claimed that he himself was always for the "rights of labour." The trouble with the English economists, as Nathan Appleton and other New England industrialists have pointed out, is that they argue that capital obtains all the profits and labor obtains none. Their conclusions follow

from their breaking down income into rent, interest, and profits. But this denotes a feudal state of society which is not tolerated by American institutions. Even operatives in the Lowell factories could save 50 per cent of their wages. On the other hand, corporations are very useful and should be freed from hampering regulations by the the state. The "abolitionists" causing schism in the Whig ranks he denounced as seditious, and he hurled anathema on them for appealing to religion. Slaves, he said, should not be discussed in deciding the rights of labor, for slaves are property and need no more be considered than horses.

Colton claimed, however, that the annexation of Texas would fasten slavery more firmly on the country, and that the new territory would hurt the South because of the new competition in cotton from more fertile lands. Colton opposed a liberal public-land policy as depriving the old states of a share of the profits of the sales.[5] But he conceded that such expansion, whether of slavery or western settlement, would weaken the growth of manufacture. However, he was willing to forego his opposition to westward expansion wherever corporate enterprise that fitted into the American System might be benefited.

Thus in 1850, in a lecture at the Smithsonian Institution, he pointed out the great commercial and spiritual advantages of a privately constructed but government-aided railroad to the Pacific. This road would be "the highway of Christianity" to the heathen and provide a hospitable refuge with a comfortable independence for the surplus destitute population of Europe. Of course, it was to be built under private supervision because government construction would cost at least three times as much. Under the plan, land grants and a share from government land sales would be given the enterprise.[6]

Colton's systematic treatise on the tariff, *Public Economy for the United States*, which appeared in 1848, had a mass of statistics of little relation to his arguments. He preferred, he said, the term "public economy" to "political economy" because the word "political" has been abused. Public economy is "the application of knowledge derived from experience to a given position, to given interests, and to given institutions of an independent state or nation for the increase of public and private wealth." The great principle is freedom, but "freedom consists in the enjoyment of commercial rights, in the independent control of commercial values fairly acquired." Commercial rights or

values are property rights; for freedom must be distinguished from liberty.

A tariff is essential to secure freedom. Freedom is a thing of "commercial value," and the parts of the world most free require protection against those less so because the sole object of protection is to maintain and fortify freedom. Protection as opposed to free trade thus accords with the principles of the American Revolution. Of course, labor is the great beneficiary, for labor is capital and the parent of all capital.

In 1851 the Whig *International Monthly Magazine* reported that Colton's voice had come back and he was once more preaching. The following year the Episcopalian Trinity College at Hartford, Connecticut, established the chair of "public economy" for the sixty-three-year-old Colton.[7] But apparently it was intended as a sinecure. His duties were nominal, his residence continued to be New York City, and after his death in 1857 the chair disappeared. While he was there his treatise replaced Wayland's.

## JOHN RAE'S SOCIOLOGY OF CAPITAL

The ablest treatise on the protectionist side was written by a Scotsman who migrated to Canada, John Rae (1796–1872).[8] Rae's cast of mind was like Cardozo's, some of whose ideas he shared, but he had the benefit of a university training. Few of the economists of the day possessed Rae's ability and erudition. He had a wide variety of interests. He was an inventor; wrote on geology, aeronautics, linguistics, medicine, education, and the social sciences. But most of his writings, like his inventions, never saw the public eye.

He was born in Aberdeen, Scotland. His father, who was a merchant, was in comfortable circumstances, and Rae attended the University of Aberdeen. But his career was that of the serious scholar who had a strong will of his own. At the university he presented some mechanical ideas to the professor of mathematics, but the latter viewed them as impractical, though "sound in theory and ingenious." Rae dropped the matter rather than irritate his business-minded father. Rae then turned to the University of Edinburgh to study medicine. But while preparing his M.D. dissertation, he became convinced that the prevailing physiological theories were false.

He then decided to make a thorough inquiry into the causes which

"have made man what he is in various countries, or has been in various times"—that is, prepare a true natural history of man. This led him to study *The Wealth of Nations*, but this, too, he found fallacious. Financial disaster and an unfortunate marriage forced him, in 1821, at the age of twenty-five, to exchange "the literary leisure of Europe for the solitude and labors of the Canadian backwoods."

After working for a short time in the lumber trade, Rae started a private school in the village of Williamstown, Ontario. Here he spent ten years digesting his ideas in an atmosphere surcharged with the complaints and contempt of friends who could not understand why he was not interested in a higher social and financial position. The result was indecision, instability, and floundering in his attempts to organize his ideas and a reinforcing of dogmatic opposition to prevailing principles even where he substantially agreed with them. Finally, in 1832, he felt he was ready. As a part of his larger study, he prepared a work on the "Present State of Canada and its Relations to the Rest of the British Empire" in which he attempted to prove that the bond was mutually beneficial and should not be dissolved. Unable to get a government subsidy for publication, he dropped the matter, and while unemployed turned to another part of the larger study, the *Statement of Some New Principles on the Subject of Political Economy, Exposing the Fallacies of the System of Free Trade, and of Some other Doctrines Maintained in the "Wealth of Nations."*

The treatise was finished in 1833, and Rae planned to have it published in England, but Alexander Everett persuaded him to publish in Boston. Everett was then an ardent protectionist as well as Whig leader and publisher of the influential *North American Review*. The scene was reminiscent of the Harrisburg Convention of 1827. A great tariff convention had just been held in New York. Everett, as chairman of that body, prepared the memorial to Congress. Just as Ingersoll had thought he had found in the German, List, the theorist for his movement, so it seems Everett thought that the Scotsman, Rae, with a treatise ready for publication, was his man of the hour. Apparently Everett had not read the manuscript, but had been impressed by Rae's intellectual stature in their personal meetings in Boston.

The book of 414 pages of small type was not well organized; and its technical jargon, fifty years ahead of its time, hardly made it easy reading. On the face of it, the book was a polemic against Adam Smith. Its aim was a policy of protection to be achieved by premiums and bounties to new arts and industries. The funds were to be raised

by duties on the imports of "luxuries." In developing these principles, Rae presented concepts whose importance far transcended their use as a justification for protectionism. These concepts embodied an elaborate analysis of invention as the sole creative factor in the wealth of nations, and of "luxury" articles of which "the consumption is . . . conspicuous" as wasteful.

But Rae limited the usefulness of these novel concepts by attempting to assimilate them with the prevailing business practices. This process of assimilation was aided by Rae's adherence to John Adams's social philosophy of the dominance of the emulatory propensity of man. Thus he used banking as the best example for his elaborate analysis of invention. On the other hand, the prevalence of "luxury" among the laboring classes he attributed to their low condition.

Following along the lines of Raymond's treatise, but more directly and consciously, the Earl of Lauderdale's *Inquiry into . . . Public Wealth*, Rae devoted the first part of his study to the proposition that individual and national interests were not identical. For instance, the development of skills is more advantageous to the nation than to the individual because an individual cannot recover what he has spent in acquiring skills. He draws a revenue, not a capital, for his ability because he cannot sell himself under modern law; but states can mortgage themselves for war purposes and the like.

Invention is the only power that creates; private wealth is increased by acquisition. Thus individuals generally grow rich by acquiring increasing portions of the wealth already existing; nations do so by the production of previously nonexistent wealth. But Rae did not mean to question the accumulation of private wealth; on the contrary, the importance of invention lay in creating profitable opportunities for men of enterprise so that capital accumulation would quickly follow to take advantage of the situation by building capital goods. So strongly was the notion of profitable opportunities imbedded in Rae's concept of invention that he attributed the rapid recovery of a nation after a devastating war to the lure of high profits. If a very profitable investment for capital is held out and yet capital does not accumulate rapidly, there must be some inherent vice in the community. The great inventions are due not only to urgent want, available materials, and the growth of technology, but also to "the want occurring to men of property and of a class in general bold in enterprise and accustomed to stake their funds freely."

This called for an analysis of the "effective desire of accumula-

tion" of the people, which is "the determination to sacrifice a certain amount of present good, to obtain another greater amount of good, at some future period." It is reflected in the long-run profit rate—the weaker the effective desire, the higher the rate, and vice versa. The desire to save is checked by "the defect of the imagination"—that is, weak intellectual and moral principles in preferring present goods over future goods. It is strengthened by the prevalence of social and benevolent affections expressed by the desire to found a family and leave one's children materially better off. These in turn result in habits of reflection and prudence in the people and the maintenance of stability, law, and order.

Thus, given the desire for family and for ranking high in the esteem of the world, self-interest leads to industry and frugality and consequently to an increased provision for the wants of others. Many who do not value these things in themselves would act on the basis of them because they could lead to fortune and fame. Thus the mere desire to rise and obtain the envy of others may excite many to a steady pursuit of a fortune.

Under a given strength of the effective desire for accumulation, the creation of capital goods has a definite limit because all materials used in constructing instruments or capital goods are subject to the law of diminishing returns. Invention, as it causes a rise in the rate of profit, induces capitalists to make analogous instruments out of inferior or more stubborn materials, or by working up similar materials more laboriously. The process stops when the capital goods constructed reach a return corresponding to the effective desire of accumulation—that is, the old standard rate of profit or interest. A state of increasing invention and rising profits, necessarily accompanied by increase of capital and savings, is preferable to a state where capital increases but invention is relatively absent. The latter, with its stationary or declining profits, indicates a developed, ambitious, but stagnant civilization.

Yet Rae's opening discussion of invention, while it reflected his own tribulations and misfortunes, showed keen insight. The inventor, lover of humanity, should be clearly distinguished from "mere transmitters of things already known." But the personal history of most of the inventors of modern times is little more than a narration of misfortunes and ingratitude. The tendency of their activity is to withdraw them from the daily business of society. "Abstract and scientific truth can only be discovered by deep and

absorbing meditation; imperfectly at first discerned, through the medium of its dull capacities, the intellect slowly and cautiously, not without much of doubt, and many unsuccessful essays, succeeds in lifting the veil that hides it. The procedure is altogether unlike the prompt determination, and ready confidence of the man of action, and generally unfits . . . for performing well the part. . . . Unable to fight their way ably, cautiously, and perseveringly, through the bustle of life, poverty, dependence, and all their attendant evils are most commonly their lot." Since the objects they pursue are either unperceived or considered unimportant, they are viewed as either idlers or madmen. "Their characters misunderstood, debarred from all sympathy, uncheered by any approbation, the 'eternal war' they have to wage with fortune, is doubly trying, because they are aware, that if they succumb, they will be borne off the field not only unknown, but misconceived. . . . Among the men with whom he lives, he lives as not of them, a magic circle is drawn around him which neither he can pass without, nor they, within."

Nevertheless, in spite of this opposition "between men of practice, and men of speculation and invention," Rae attempted to eliminate the antithesis by presuming that the "principles of our nature exciting to the advance of invention" are "nearly identical with those giving activity to the effective desire of accumulation." The one is engaged in the application of what is already known, in the production of the means of supplying future necessities or pleasures; the other, in the discovery of something yet unknown and which may serve the same purpose. The difference, therefore, arising from a difference in modes of action rather than in motives, is one of degree rather than kind. True, he who labors for wife, children, friends, relatives, pursues an end in some degree selfish; while the fruits of genius are the property of the entire race. But the very rise of genius presupposes in the society a preponderance of the social and benevolent affections, of which laboring for family and friends is a manifestation.

So Rae conceived of the processes of invention and accumulation as proceeding on the same intellectual and moral motivation, an interest in an appreciation of future events and their achievement from the standpoint of increasing the individual's pleasures. In a roundabout fashion he had subsumed invention under accumulation. The two principles reinforced one another so that the motives to accumulate were the same as the motives to invent opportunities for profit.

Thus both principles, he held, are generally accompanied and identified by the same phenomena, a fidelity to engagements and what were to him its necessary implications—economy and a diminished inclination to luxury and waste.

By these canons, Rae argued, it is easy to determine whether high profits are due to the principles of invention or to the weakness of the effective desire for accumulation. Thus if high profits are accompanied by want of good faith and fidelity, narrowing of credit, frequent public and private crimes, and luxury, then the high profits are due to the deficiency of the accumulative principle. But if high profits are accompanied by good faith in exchanges, extensive credit operations, few disturbances of the peace or transgressions of the law and the prevalence of economy, then the high profits are due to the growth of invention. In other words, business prosperity spells invention.

But the principles differ in one important respect. War and revolution, by disturbing the established order of things, paralyze the principle of accumulation, but encourage that of invention by arousing the torpid minds of the people from servile emulation. Thus Alexander the Great was a good example of an inventor.

In similar fashion, Rae argued that the progress of invention reduces the value of previously existing capital devoted to the production of the same commodities. It lowers the labor cost; and the previous capital, though produced at a higher labor cost, can only exchange at the same price as the new, or the "cost of reproduction." This doctrine, however, is not the opening wedge for a discussion of the possible dislocating effects of technological change on pecuniary valuation, but rather an illustration of the "absolute value" of capital, or productive power, while relative or market value remains unchanged. But eventually the relative or exchange value will also increase in the general increase of production.

Rae's discussion of luxury also promised at first to be very fruitful. It commenced with the ingenious notion that a tax on luxuries would not reduce the pleasure of consumers because the tax would not disturb the competitive social status of the individuals, to which luxury objects testify, by their public indication of ability to pay for a greater quantity of labor. Purchasers of these goods do not care what quantity they receive, provided others do not obtain them at a cheaper price. Purchasing a smaller quantity with the same amount of funds would give at least as much pleasure as before.

But the tax should be levied on imports, not on domestic production, because of administrative ease in collecting customs.

The funds received by the state would burden no one and promote invention. This would produce useful goods because, being cheaper in labor cost, they would not be objects of luxury. If they had been objects of luxury, vanity would immediately transfer itself to some other object, while their increased consumption would testify to their having become a convenience or necessary.

After utilizing the argument of wastefulness of luxuries, to portray the necessity of a protectionist policy Rae argued that the "luxuries" of the upper classes are not necessarily luxuries, but the prevalence of luxury in the lower classes makes for their weak "effective desire for accumulation." This, reinforced by "the abomination of the poor laws," leads to their poverty, distress, and threats to the state.

The elements of pleasure and those valuable simply as evidence of relative superiority, of mere ability to pay, can hardly be differentiated in any object. Every so-called object of luxury contains some element of utility. Thus the castle of the wealthy modern nobleman exceeds that of his barbarous ancestor in refined enjoyments as well as in the satisfactions of personal vanity, but it is impossible to determine the proportion between the mere luxuries and the enjoyments. The higher the social class, the more utility he found in its objects of so-called luxury.

In descending the scale from those who possess hereditary wealth and hereditary claims to good society, to those who have accumulated riches and thereby raised themselves to distinction, then to the lower grades of life and at last to the mere drudge, every step is marked by a proportionately lower expenditure on objects neither necessaries nor conveniences, but mere luxuries.

Reformulating the Malthusian doctrine, Rae argued that the rich do not marry for purely sensual reasons; instead, they try to avoid marriage until they feel they can raise their families above their rank. Among the laboring classes, however, marriage adds to immediate sensual gratification. So they are not generally apt to want to raise the position of their families. Consequently, the number of capitalists increases less than do their capital and incomes, while laborers increase faster than their incomes.

While vanity sometimes reinforces the accumulative principle by gratifying the pride of rising to equality with former superiors, still, the greater the height, the greater the difficulty in reaching the higher

level. Therefore, as capital increases fewer laborers make vigorous efforts to accumulate property; and vanity, losing hope of acquiring distinction by accumulation, is exclusively occupied in exciting to dissipation. The laborer seeks "pre-eminence in displaying his abilities to spend, and employs his spare funds . . . in the purchasing of fineries," in treating his companions at the ale-house, and in similar extravagances.

With these habits, laborers can save nothing for periods of unemployment. Their condition fluctuates between abundance and dissipation, want and misery. Society loses not only the benefits from the stock accumulated by labor in better times, but also the stock expended to prevent their starvation, or to rear laborers to replace those perishing from want or its attendant diseases.

The indirect evils of their extravagance are greater than the direct ones. They entail not only waste and improvidence, but dishonesty; and this is responsible for the great drain of many checks and contrivances to prevent fraud and violence, including expensive policing.

The worst mischief is that the vicious principles of the mass gradually spread to all other orders, for the middle and higher classes rest on the lower. Over a generation or two, all the capitalists have sprung directly from the people. When the lower classes are animated by probity, self-denial and benevolence, the upper classes are influenced in the same direction. But when "the proper vices of the higher ranks," luxury and extravagance, cease to be neutralized by an infusion of the severer, self-denying morals that "should belong to the lower," then the state is destined to ruin. Thus in civilized societies decay has generally proceeded from below upward. "A deficiency in the lower classes of the principles exciting to economy has gradually checked accumulation and invention throughout the whole body, and at length produced universal degeneracy and decay and introduced the reign of waste and violence."

The mischief primarily applies to the city laborers. In the country, where the scattered character of the population represses vanity, the poor man devotes his spare time to cultivating some land, repairing his house, working on his garden, producing food for his pig or cow. In the absence of poor laws he is induced and enabled by circumstances to place his little savings, as he acquires them, in some profitable investment. In Scotland tracts of barren land are converted into

fertile soil by being leased in small patches at long or perpetual leases to laborers "who work on them at spare hours when their other occupations fail them."

Rae charged that Adam Smith had not followed the Baconian canons of induction, but the difference between Smith and Rae lay perhaps only in the tariff.

Rae's book met with little success. Everett, after looking at the finished book, gave it a lukewarm review in the *North American Review*. The Boston Brahmin did not altogether approve of considering luxuries wasteful. His major criticisms were: Its language is too technical and it has too little directly on protectionism to serve the protectionist cause. What is really wanted is a "well-written and well-reasoned essay on this question, drawn up in such a form that it could be used with convenience as a textbook for students." True, the protectionist views have been so often stated in speeches, reports, reviews, newspapers, essays, that they have become to some degree common knowledge, but they have not been embodied in "any single work of sufficient compass and authority to serve as a textbook." Such a book, therefore, would meet a ready sale.

Everett said that Rae unwisely devoted the bulk of his book to the "idea that the great agent in the augmentation of wealth is the improvement of the methods of applying labour, and that the economical situation of communities is chiefly determined by the extent, to which the exercise of the inventive faculty is called forth and encouraged by the circumstances of their political and social constitutions." Rae's conclusions on this point are not, as Rae erroneously holds, at variance with those of Adam Smith; for Smith would admit the importance of invention and improvement and Rae would admit that if consumption increases with improvement, no addition to capital will be made. But, continued Everett, "the topic is one which is not formally discussed in the *Wealth of Nations* and belongs in fact to politics or political philosophy rather than to political economy." It has no necessary connection with the expediency of the protecting policy.[9]

In England the reviewers took the book to be characteristic of the American mind and gave it hardly more attention than to praise it for its emphasis on morals.[10]

Rae later wrote that Everett had been scared of it, "could not make up his mind, nor could anyone there [in Boston] if I was right or

wrong." But what was equally if not more important was that by the time the book appeared the compromise tariff of 1833 had been passed and the tariff was a dead issue.

Rae returned to schoolteaching in Canada, interspersed with military service to suppress the Rebellion of 1837. He hoped to save enough money to live in literary centers and systematically develop his ideas for his natural history of man, but in 1848 he lost his school position. He drifted to Boston, then to New York, where he did some teaching. He practiced medicine in Central America, and during the gold rush he taught school in California and built miners' cradles and weighing balances. Still hoping to find success, he went to Hawaii, where he did some teaching, engaged in an agricultural enterprise, and was for a while a petty judge and medical officer. But after twenty years in the islands fortune and fame still eluded him, and he spent his last embittered days in Staten Island, New York, dependent on the bounty of a former student.

Meanwhile John Stuart Mill, in his classic statement of what Rae would have called the "old" *Principles of Political Economy*, in 1848, praised Rae's treatise in glowing terms. With characteristic generosity, Mill said that "in no other book known to me is so much light thrown, both from principle and history, on the causes which determine the accumulation of capital." So well did Rae's notions fit into the orthodox pattern that Mill incorporated them as elaborations of the old views.

Wielding a far more lucid pen than Rae, he was able, by the device of the stationary state, to eliminate any possibility of conceiving the principles of accumulation and invention as antagonistic. What was more, he in effect eliminated invention. "When a country has carried production so far as in the existing state of knowledge it can be carried with an amount of return corresponding to the average strength of the effective desire of accumulation in that country, it has reached . . . the stationary state; the state in which no further addition will be made to capital, unless there takes place either some improvement in the arts of production, or an increase in the strength of the desire to accumulate. In the stationary state, though capital does not on the whole increase, some persons grow richer and others poorer. Those whose degree of providence is below the usual standard, become impoverished, their capital perishes, and makes room for the savings of those whose effective desire of accumulation exceeds the average. These become the natural purchasers of the

lands, manufactories, and other instruments of production owned by their less provident countrymen."

Even though Mill's book was highly praised by some American protectionists, little acknowledgment was given to Rae, not even after the revival of interest in the tariff in the forties. The leading protectionists, however, borrowed his ideas.

## CHAPTER XXIX

# The Carey-Colwell School

### THE "INDIVIDUALISM" OF HENRY C. CAREY

FEW economists stood out as impressively as Henry Carey did (1793–1879), son of Mathew Carey.[1] He did not have a college education, but this was more than compensated for by his early contacts with his father's publishing firm and by voracious reading. The house published encyclopedias and reference books which supplied him with information in almost every field of knowledge of use in his economics. Since he poured forth a steady shower of books, pamphlets, and newspaper articles, few could be unaware of his presence. He had his father's gift for journalism, and early training as a book salesman and in active management of the firm reinforced his inheritance. But he could appear more independent than Mathew Carey, for by the time he began to write he had great wealth and social position. He had large investments in coal properties and in real estate, and in the course of time was involved in a great many enterprises, ranging from paper mills to gas companies. These investments were not limited to Pennsylvania, and the pen name of "Citizen of Burlington" (New Jersey) on some of his publications testified to at least one other region of operations.

His life was spent in the best society of the wealthy commercial metropolis of Philadelphia. His friends included highly respectable ex-Federalists, conservative Democrats, Whigs, and, later, Republicans. Among his closest acquaintances were financiers and industrialists. At the famous "Carey Vespers" could be found leaders in politics and industry, as well as admiring journalists.

No one was so gifted or persistent in arguing that a free hand to large business—more accurately, to promoters—helped farmers, laborers, and small business and prevented a moneyed aristocracy. His optimism as to the future of America, if such "freedom" is allowed, was so great that his shifts in argument in the course of his career are easily explained as slight or purely verbal changes in detail in response to changing exigencies. This held even for his supposed change on the tariff.

As a young man he stood with his father on the tariff, at least in private correspondence. Thus in 1820 he wrote a partner that the country must have a "good manufacturing system" if the distress is not to continue.[2] But from 1835, when he began to write on economics, until after the passage of the Tariff of 1842, Carey called himself an out-and-out free-trader. But then this was the period of the Compromise Tariff of 1833 and the Whig alliance of protectionists and free-traders to oust the Jackson hard-money Democrats. To call oneself a protectionist at the time was no advantage. Those who had not publicly asserted themselves as protectionists before the compromise had a tremendous advantage. They could eulogize free trade and apply the doctrine in its wide and ambiguous sense of "freedom of business enterprise" against any restraints they disliked, just as they could identify the laborer with the industrialist when occasion warranted. So again Carey could adroitly convert the Fourierite conception of "association" into the "corporation" with limited liability and transferable shares.

Carey was a free-trader on the tariff during this period in the sense that he observed the Compromise or Revenue Tariff of 1833, as did Clay. But at the same time he opposed any reductions below the levels set by the compromise on commodities he deemed worthy of protection. Thus in a private communication to Senator Garett D. Wall of New Jersey, in 1837, he bewailed the attempt of New Englanders to "break down their neighbours" by demanding a reduction of the duties on coal. As was to be customary with him, he went on to "prove" that this reduction would prevent a sound natural fall of coal prices in Pennsylvania. A railroad, he said, is planned in the coal area in which he was interested; but if the coal duties are reduced, then the road could not be built, for if there are no profits from coal, funds would not be available for construction.[3]

During the period of the Compromise Tariff, free trade, if manipulated properly, was an excellent slogan to hurl at the hard-money

views of Jackson and Van Buren. It was also very useful to aggressive promoters of general incorporation acts in Pennsylvania and elsewhere, or at least of measures which would enable them to obtain the corporate form for their enterprises. In some cases it was practically impossible to receive a legislative charter, and even when secured it involved heavy costs, including bonuses and taxes. Besides, the charters were generally short-term. Of course, the cry for a general incorporation act was extremely useful for those who sought the privilege for themselves at least, even if others were to be barred.

Carey was enveloped in both movements rather early. As a promoter he was interested in corporate charters. Like his father, he supported the Bank of the United States during the Jackson and Van Buren regimes. His firm published what was to all intents and purposes the leading Biddle organ during the controversy, Walsh's *American Quarterly Review*. And the revelation of the bank's large payments to the firm for reprints of articles favorable to the bank was used effectively by Jackson to justify the removal of government deposits from the bank in 1833. Carey, of course, as an active and large entrepreneur could appreciate the value of the bank. Naturally the name of "Henry C. Carey, bookseller" was among the signatures of that memorial to Congress in 1834 of "merchants, mechanics, manufacturers, tradesmen, and others" of Philadelphia demanding that the government deposits be returned to the Bank of the United States.[4]

The problems of money and corporations conditioned Carey's major works from the start. His first book, *Essay on the Rate of Wages*, which appeared in 1835, dealt to a certain extent directly with wages, but the argument was often on issues that bore on wages only in the sense that all protagonists on any economic issue were anxious to show that their position, rather than that of their opponents, was for the benefit of "labor." In fact it left sufficient room for espousing a high tariff at the appropriate time.

Carey held in substance to the wages-fund doctrine, but with the aid of a vast array of miscellaneous comparative historical and statistical data he was able to dress up the doctrine in such a manner that its original English formulators, especially Nassau Senior, appeared as hard-hearted pessimists, while he appeared as a humane optimist.

High wages in America, he wrote, are due not to the available fertile lands, but to the superior productivity of labor. This efficiency of labor arose from growth of capital which took the form of ma-

chinery and the like. This in turn arose from high profits. Instead of being jealous of those who acquired high profits, the propertyless should be pleased, because the increased capital means increased employment or, in terms of the wages-fund doctrine, capital increases more rapidly than population. If prospects for profits are high, capitalists compete for labor, and so wages rise. On the other hand, by erroneously representing profits and wages as natural antagonists, the Ricardians have caused the growth of the useless trade unions with their strikes.

Similarly, Malthus and Ricardo have erroneously argued that the rate of profit falls and accumulation is checked because increasing population forces a resort to inferior soils. But land is capital, and the successive doses of capital applied to land are successive technological improvements. Thus the so-called "inferior" lands reap high profits because of investment and the proximity to the great cities where capital investments are heavy. In other words, Carey was presenting the home-market argument for the tariff in a sophisticated form.

Since the increase of food is dependent on the increase of capital, the only check to food production is the lack of industry in the people. An increasing population is not a check; on the contrary, a larger number will increase capital. Consequently the trade in population should not be checked. Laborers and some capitalists object to immigration, but capitalists gain from increased numbers, and labor gains for the increased number of consumers, which makes them in effect employers of labor.

Labor gains also from investments by foreign capitalists because of the increased funds made available for wages. So state legislation prohibiting foreigners from holding real estate and bank stock, and the levying of absentee taxes, is against the interests of labor. These restraints on the freedom of the rights of person and property, which are the source of all prosperity, Carey laid at the door of the extreme southern anti-tariff spokesmen. He traced the pernicious Gold Bill to the same source. It reduced the price of southern labor, for by interfering with the freedom of trade it diminished capital.

In an oblique reference to the national bank struggle, Carey quoted from one of his miscellaneous authorities to show that the lack of a moneyed interest in China implies some radical defect, some want of protection for all fortunes above the humblest mediocrity.

This arose from the absence of a credit system providing an adequate circulating medium and bills of exchange for transactions between the merchants of different provinces. Thus India is superior to China in this respect because it has a great moneyed and banking interest comprising some immensely wealthy individuals.

In turbulent socialist France, capital is insecure because centralization instead of freedom of action and trade is the principle of government, said Carey. In the United States the security of capital causes the most gigantic undertakings to be promoted, for the capital can always be obtained if the prospects are profitable. Unfortunately, the country adopted the English poor law system; consequently there has been a growth of charitable societies teaching people how to live without work.

Factory acts are without justification in the United States. The interest of the employer with machinery is to employ adult females rather than inefficient children for ordinary labor. Males are reserved for the higher occupations of superintendents. Thus when men marry they are able to take their wives out of the factories. They keep their children from the factory because they can afford to pay for their education. Therefore those pleading that education would raise labor's status should advocate eliminating all restraints on the growth of capital because the laborers could then educate themselves through the increasing returns from their labor. The growth of capital will also ameliorate the condition of the slaves. If the southern planters by "economy and industry" reap large wages, they will invest in new slaves. By increasing the demand, this raises price of slaves. And the higher the value of the human property, the better will their masters treat them.

Perhaps the most significant part of the book was the emphasis on statistics. Carey thought his data proved that real wages had risen, though nominal wages had not. The absolute price of labor has not fallen during the last forty years, but the average price of food and clothing has. On this basis he felt it proper to deduce that capital increases in proportion to profits, and that whenever it increases faster than population, the demand for labor will constantly rise faster than the supply, and the rate of wages reckoned by the comfort over which they give the workman command will gradually though perhaps slowly increase, as has been the case in the United States. So Carey had great hopes for the growth of statistical sci-

ence. Every improvement in that science "will tend more and more to prove that the condition of the workingman improves as security is obtained."

As the Whigs prepared for the 1836 campaign and sought to hold in line the southern members of the alliance, Carey quickly prepared a more elaborate treatise with more definite attractions to southerners. Its title summed up its contents: *The Harmony of Nature, as Exhibited in the Laws Which Regulate the Increase of Population and the Means of Subsistence; and in the Identity of the Interest of the Sovereign and of the Subject; the Landlord and the Tenant; the Capitalist and the Workman; the Planter and the Slave.*

The harmony was achieved by allowing the individual perfect freedom of action and perfect command of labor; freedom of action embraced command of property, including slaves. In a footnote he advocated the acquisition of Texas. Under Mexican rule the Texans have no security of property and person, he said. Annexation would increase the value of their lands. The acquisition would not strengthen the slave power, as the North foolishly thinks. Rather, the measure would make Maryland, Virginia, and Kentucky free states because the increase of a profitable employment of the slaves, and thus of their value, allows the possibility for the slaves to obtain their freedom.

After sending Thomas Cooper a copy of his revised treatise, Carey wrote that fellow supporter of the national bank that he had formerly been a conservative but now believed in democracy; that he had proved that the system of *laissez faire* was God's law, and he hoped that Cooper would especially notice his novel views on slavery.[5]

Carey had this book printed but he did not put it up for sale because he intended to revise it. However, instead of a revision, he began in 1837 and finished in 1840 a still more elaborate study in three large volumes, called the *Principles of Political Economy*, supplemented by lengthy pamphlets such as *The Credit System in France, Great Britain, and the United States* (1838) and *Answers to the Questions: What Constitutes Currency? What are the Causes of Unsteadiness of the Currency? and What is the Remedy?* (1840).

He still called himself a free-trader, but he warned the advocates of free trade in foreign trade that all changes must be gradual lest capital be destroyed. Thus, if the duty on iron should suddenly be removed, the domestic investment would be annihilated and labor thrown out of employment.

His insistence that available lands were not the cause of the productivity of labor and high wages became more strident. He agreed that if available lands were the cause of high wages, labor could not engage in manufactures until the density of population reduced wages. But since labor's productivity is due to accumulation, there is a constantly increasing disposition to apply capital to commerce and manufacture with a constantly increasing reward to labor.

By this time Carey had apparently assimilated Rae's concepts of invention and reproduction cost. Labor is the basis of value, but it is the labor of reproducing the object, not its original cost. Value is determined by labor saved, by the sacrifice avoided in obtaining the object.

With the growth of capital ostensibly taking the form of machinery and similar aids, the quality of labor improves and a smaller quantity is needed to produce objects. Thus in the onward march of capital the value of capital constantly falls because the "labor" cost falls. Present labor gains a greater share as its bondage to "nature" in the form of the scarcity of capital is lessened; "value" falls but "utility" rises.

Capital obtains a continually smaller share, but its absolute amount increases because of the total greater productivity of labor. The capitalist cannot prevent the increase of the laborer's share because as the laborer becomes more valuable—that is, more productive—the capitalist must treat him better, just as the planter does the slave as he rises in value, lest he refuse to produce the increasing amount of which he is capable.

This growth in the laborer's share incites the capitalist to greater industry in order to maintain his higher position. Therefore workmen should realize that even the growth of their political power depends on the growth of capital. This shrinking of the differences in wealth changes aristocracy to democracy.

This shows that the form of government is not important. A change in form is a consequence of a previous change in spirit. Thus self-government may be almost complete under a monarchical government. The important factor is security of person and property, for every increase of security produces a demand on the part of the laborer for his rights. Laborers forget this in joining unions.

"Freedom of action" to the controllers of capital is the only method that will effectively eliminate slavery. If the North would let the institution alone, it must inevitably disappear with the growth of

the masters' capital. With every increase of his productivity, the slave obtains greater control over his actions and the product of his labor. Thus he improves his political condition. Therefore men who really want to better the condition of the slaves must retain control over them and improve them by putting them on a serf basis first.

If Congress would pass laws limiting the right of discussion on the issue, mobs and lynch laws would cease in the South, and with security would come the rise in the value of the slaves and their inevitable emancipation. The lower productivity of the South as compared with the North will be remedied with every addition of capital in the South in the form of manufactures and railroads and canals connecting the area with manufacturing centers and this will lead to dense populations.

Like Cardozo before him, Carey attacked Ricardo for differentiating between rent and capital. This distinction, he said, attacks the right of property; but if land is viewed as having its value from labor, like other capital, it has a sound ethical justification. What is more important, it shows that western migration and expansion is undesirable compared to the "concentration" of population with its growth of manufactures and the banking system. So Carey embarked on a "critical, historical," and theoretical analysis of the foundations of the Ricardian law of rent.

True, the development of cultivation was from so-called superior soils to inferior soils, but the "superiority" of the first soils originally consisted only in the fact that they were first utilized by the isolated savage in obtaining a precarious subsistence. The savage needed a large area to gather enough subsistence, and this meant inability to associate with neighbors, and thus much time was wasted in protecting himself against marauders. But when by saving he accumulates some capital, population can increase and through "association" the so-called "inferior" soils can be utilized with greater profit and wages than could be obtained at first on the so-called "superior" soils—that is, food tends to increase more rapidly than population, and only by that association of effort which results from increasing density of population can the richer soils be brought into activity.

The "inferior" soils in Carey's theory were not so much in a different temporal location from the first, as they were concentrated areas with large capital, dense concentrated populations, and manufactures furnishing a market to the close-by farming area. "Soil" to Carey took

on a comprehensive character that included the manufacturing and financial area as pre-eminent. In these concentrated areas association reaches a high level, said Carey; for there the capital is greater. A manufacturing company is an association like the republican state, but the closer the areas to the manufacturing centers, the greater their advantages, for they are the beneficiaries of the capital accumulation and dense populations of these "first soils" in the form of railroads, improvements of machinery, etc. These increase the productive power of labor and thus the rent. In this sense rent is the result of labor, though not necessarily the labor of any or all those who till the soil. In this sense also the capital value of land is less than the total labor spent in bringing it to fertility. With the growth of wealth and population the landlord, like any other capitalist, receives a constantly decreasing proportion of the product of labor but a constantly increasing quantity because of the rapid increase of the returns as cultivation is increased. Though the capitalist's proportion is diminished, yet that smaller proportion yields him a constantly increasing quantity of commodities, and thus a smaller amount of labor is required to receive a given amount of income. Stated another way, the growth of population and capital, which Carey identified with machinery, makes available richer soil; in their relative absence, poor soil must be cultivated.

Western migration should not be encouraged by any easy land policy because capital cannot be invested to reap a rent. The unearned increment of land is a phantom. When population is scattered and capital unavailable, labor is in bondage to capital.

The very growth of capital makes less labor and space necessary to produce a constantly increasing food supply, and more labor can be spared for manufactures and other pursuits. Thus an increase in the manufacturing population compared to the agricultural, evidences the increasing productiveness of the country.

Carey also applied his free-trade principles to the raging question of banking and currency. He felt, of course, that the Jackson–Van Buren hard-money policy violated "free trade." The Bank of the United States was "a nearer approach to perfection than the world has ever seen, or that probably will soon again be seen." The refusal to extend its charter "was the reimposition of restraints upon the freedom of action throughout the United States," and the Pennsylvania grant of a charter "was a removal of the restraints upon freedom of action." Equally vicious was the independent treasury

system. By preventing the restoration of confidence, it diminished the productiveness of labor.

Carey presented all the familiar arguments in defense of banks: They aid the enterprising, put the poor on the same level with the rich, and constitute excellent savings banks for the investments of widows and orphans.

The increase of banks and credit decreases the need of exchanges and useless traders, for the producer keeps less money at home and more in the business. Thus banks, along with money, are the great instrument of "association." A credit system is based on confidence, and the greater the confidence, the less the need for specie. Specie currency means a return to barbarism, to the state of scattered population, little capital, and cultivation only of "superior" soils. Since checks and clearings facilitate the exchanges, banks are labor-saving machines. They improve the quality of labor so that population and capital are augmented.

Carey admitted that the banks may have overtraded, but this is really the fault of the legislatures because they extort large bonuses for bank charters and tax the banks' capital. This forces the banks to grant risky loans in order to make an ordinary profit. So Carey called for "free banking."

"Freedom of trade" reached its high point in Carey's analysis when he extended the notion to include the demand for a general incorporation act. Limited liability with transferability of shares is a right of individual self-government, he said. Government itself is based on limited liability. Every man contributes his share to the maintenance of the expenses of the state. Were the whole of an individual's estate liable, security would not exist. The right of limited liability is thus the right and bond of association, as long as the association announces publicly that it is subject only to limited liability. No one is defrauded, for people can trade with it or not as they see fit. Such a corporation or association is merely an agreement between individuals as to the terms on which they will trade among themselves. It thus accords with the common sense of mankind which leads men, when left free, to adopt instinctively those measures which make their labor more productive and their property more secure.

Carey denied, of course, that individuals should be allowed to trade on a footing of limited liability. If the individual banker or shoemaker were to make such a demand, no one would trust him. This

tendency to association constantly increases because such associations make labor more productive. Stockholders can leave the supervision to a few where otherwise they would have to spend most of their time watching their little investments. Thus Biddle's Pennsylvania Bank of the United States does as much business as fifty to a hundred banks, but it has to pay only one president.

For a moment in 1841 Carey highly disapproved of the national bank in private letters. As the Pennsylvania bank was in dire straits, it began to call in loans, including Carey's. Carey was incensed. The banks, he informed a bank official, are the source of all the trouble. He had been forced to submit to a "stop of $20,000" in 1834 in consequence of the panic produced by the Bank of the United States. Then later the bank brought about the inflation of 1836–1837 and the consequent depression. All he wants, he said, is to be "let alone" so long as he meets the interest charge. After all, the bank has collateral of his worth $100,000 or it ought to be worth that when times change.[6]

After the passage of the high Tariff Act of 1842, Carey began to espouse more openly a high protective tariff for the activities he deemed important, but he claimed he had not arrived at a complete theoretical solution of the question and so was in theory a thoroughgoing free-trader. But one morning in 1847 the answer came to him. "I jumped out of bed, and dressing myself, was a protectionist from that hour." [7] Strangely enough, the inspiration came just at the time the tariff was reduced.

In the space of ninety days Carey whipped into shape an elaborate treatise, *The Past, the Present, and the Future* (1848), accompanied by the customary very extensive array of historical, statistical, and comparative information. Ricardo's book was now the true manual of the demagogue who seeks power by means of "agrarianism and plunder." But the criticism of protectionists who thought that Carey uttered nonsensical gibberish in speaking of the development of the cultivation from "superior" soils to "inferior" soils which become superior to the original soils, had one effect. He now simply insisted that the development was from "inferior" to "superior" soils.

The logical and practical conclusions remained substantially the same, but the form changed. Men, said Carey, first settle on the hilltops, and then as capital and population increase, as "association" increases, they descend to the fertile valleys of the rich bottom lands. But this does not mean that the cultivation of the West is preferable to the cultivation of the eastern soils. On the contrary, these western

soils are thin, inferior soils; the rich "soils" are those of the East—for "soil" means the capacity to yield the greatest product, wealth—at least until the East has been fully developed. The manufacturing soils are the best, for they have the greatest amount of capital or stored up labor invested in them.

It is much wiser for laborers to cultivate the rich soils of iron, coal, and manufactures in the East instead of the lands of the West, for the capital sunk in the West will be greater than the value accumulated, as Carey's theory of value stated. Thus any reduction of the price of public lands or any form of state aid along such lines would be highly undesirable.

Of course, unlimited liability is the source of the growth of monopoly and large estates. In the Middle Ages the serfs on the large estates worked under the rule of unlimited liability—*solidarité*, as the scheme of Fourier is called—and if one failed in his share, all the others had to supply the deficiency. But with the growth of wealth and population and the resort to the richer "soils," the land is divided, and individuals determine the extent of their liability by contract. Thus voluntary association and limited liability grow with the decline of involuntary association and of interference by the state with the rights of property. Public ownership, or factory legislation, is evidence that involuntary association has not yet been superseded by voluntary association.

Wherever Carey discovered a dislike of corporations and tariffs, or found the state engaging in enterprise, there he found the soils thin, the population scattered, and signs of despotism and slavery. Since the South utilizes "thin" soils, he said, the habit of association is negligible there, and the state is given authority to do what individuals should do in banking and railroad building.

In the new western states a similar situation is tolerated. In Pennsylvania conditions are little better, for as the lime-, coal-, and iron-bearing soils are being developed, less jealousy is manifested to unions or associations of capital and labor; but as yet Pennsylvania provides no general incorporation law. Unlimited liability and exclusive charters have led to great concentration of land ownership in the coal regions. Because of the restrictions upon the freedom of capital, Pennsylvania is losing capital to such new western states as Mississippi. Without these restrictions, Pennsylvania farmers producing vegetable and dairy products would have a home market.

Thus New York with its free banking and general incorporation laws is better off than Pennsylvania.

As for New Jersey, the Camden and Amboy Railroad, which had the exclusive right to the transit trade passing through New Jersey from Philadelphia and New York, was the particular object of Carey's wrath. Under the signature of "Citizen of Burlington," he wrote open letters denouncing the chicanery and fraud perpetrated by the company on the public and stockholders. Carey's views were those of a man with real estate interested in promotion. "Every man has the right to have a road to go to market," and landowners have the right to associate for the construction of roads through their lands; and if there are two markets, they may construct these roads so as to enable them to select which is best. But among a large group of landowners there will be a few "unreasonable" men, and therefore it becomes necessary to have laws to compel them to do what a regard to their own interest ought to prompt them to do. So a general law might be passed allowing a road upon the assent of two-thirds of the persons through whose land it is to run and providing for payment of damages and tolls limited to a rate yielding 10 or 12 per cent return.

Not only must the state allow other roads, but it must not interfere with any of them by regulation or taxation. It must dispose of its share in the existing company and cease to require payment of transit duties both on grounds of justice and sound economics. Land abounds, and capital is needed to give it value; but these taxes or "tariffs," as well as monopolies, will drive capital from the state. True, the transit duties yield the state a large revenue, but the returns to the state in increased industry, employment, and land values from a competing road will increase the wealth of the state far more than the transit duties.[8] Interestingly enough, "Citizen of Burlington" ceased his outpouring about the time that New Jersey chartered the Camden and Atlantic Railroad, which passed through Burlington, and among whose leading promoters was Carey's good friend Stephen Colwell.

In Massachusetts and Rhode Island, said Carey, the tendency to individuality and the power to unite has been developed to the highest degree because of the existence of factories in corporate form. The factory town of Lowell, Massachusetts, exhibits the greatest

moral phenomenon in the world: the rise of womankind to freedom through working in the factories and buying shares. But with every step southward, men cultivate poorer soils, the power of combinations diminishes, the value of the labor of woman falls; consequently the power to provide for and defend herself declines. She and her children become the effective property of the husband. Thus women's rights could be achieved not by law, but by following the New England way of allowing corporations and starting factories.

But because England floods the market and general incorporation acts are lacking, planters and farmers are discouraged from building mills and foundries. If incorporation and a higher tariff are prohibited, the result must be a despotism of the big capitalists; but the installation of the program would mean that the last of the seven-year cycles of prosperity and depression has been seen.

Just as Carey could prove that slavery could be most quickly eliminated by stanchly protecting it, so he proved that specie could be most expeditiously accumulated by using bank notes. Specie, he informed the New York Geographical and Statistical Society early in 1857, is to the social body what atmosphere is to the physical one. It supplies the machinery of circulation; without it, society would instantly collapse. It is the chief force promoting individuality on the one hand and association on the other. Its chief utility is attained only to the degree in which it can become the basis of that very credit currency which supersedes it. The beneficent power of coin, like that of government, would be most felt when most invisible.

The dominant Democratic Party, by fighting bank notes, forced in fact a hoarding and disappearance of specie. This was intensified by the party's adoption of so-called free trade. But whenever a good tariff has existed, association was promoted and specie flowed in.[9]

When the panic of 1857 occurred, Carey, reiterated his reasons for the cause and the necessary cure. In *Letters to the President, on the Foreign and Domestic Policy of the Union*, he warned the former Federalist, Democratic protectionist James Buchanan, that blame must not be placed on the banks, but on the reduced tariff and the government's unceasing war on banks since Jackson's day.

But when the banks and their circulation were left, in accordance with the Constitution, under the control of the local legislatures, neither the people nor the government ever lacked coin in time of peace. Thus the monetary difficulties have their origin in the attempt to withdraw from the states the power reserved to them by the

Constitution—in "an excess of centralization, and not in any excess of localization."

Along with the government's repudiation of its despotic hard-money policy should, of course, go a rise in the tariff, at least on certain items. This will cause an inflow of specie. The rate of interest will fall, enterprise will be stimulated to unparalleled heights, and wages, lands, and securities will rise.

The rise of the Republican Party in 1856 as the successor of the Whig Party found Carey a prominent supporter. His view of what the role of the Republican Party should be was expressed by one of those still-born Pennsylvania parties that he and his group were interested in hatching. This was the "Iron Platform Association," a so-called Pennsylvania Working Men's Party. Its "Democratic Republican platform" called "for a gradual, peaceful and patriotic abolition of slavery" by encouraging through a protective tariff "free labour in the whole union, North and South." [10]

At about the same time Carey became president of the Keystone Gas Company, which appears to have been organized to acquire charters of lighting companies in various cities and also to exploit a patent for lighting by "water gas" instead of "coal gas." The company attempted to persuade the Philadelphia City Gas Works to use the yet untried patent, but the city's chief engineer, Professor John C. Cresson, complained that the company had attempted to bribe him with an interest in the patent or shares in the company for him or his relatives. He declared that the patent had exploded after a temporary notoriety obtained by means similar to those now so commonly used for "popularizing visionary schemes in France." Carey and his associates were incensed. They answered through the columns of their influential newspaper, the *North American*, that they had gone to Cresson for names to add to their company under the supposition that the designated individuals would help the company buy the charter of the Metropolitan Gas Company from New York City, but instead of aiding the company, they had bought the charter themselves! [11]

In 1858–1859 Carey brought forth his *magnum opus*, the three-volume *Principles of Social Science*. It turned out to be substantially his *Principles of Political Economy*, except that "social science" was supposed to make it amply clear that he was concerned with man in all his relations and not the degraded materialistic creature with which England's free-trade political economy was concerned.

Spencer and Comte had popularized the terms "sociology" and "social science." They sounded more profound than "political economy." Social science was "the science of the laws which govern man in his efforts to secure for himself the highest individuality, and the greatest power of association with his fellow men." Carey again found that the great progressive forces were corporations, bank notes, and a proper tariff. So he traced the source of the nation's distress to the years 1835–1836, when under the despotic hard-money Jackson the Democratic Party adopted as a permanent policy free trade and the repudiation of credit, and these in turn had made for the extension of slavery.

Carey felt no small satisfaction that by his voluminous writings he had done so much to "justify the ways of God to man." [12] But he was greatly incensed, even to the point of charging plagiarism, that Frédéric Bastiat in his *Harmonies économiques* and other works, should by a similar technique, but with no acknowledgment to Carey, arrive at the same general conclusions about the automatic harmony between labor and capital. Nor was his anger allayed by the fact that Bastiat, instead of supporting protectionism, espoused free trade.

European economists paid more attention to Carey than to any other American economist, although they viewed his work as primarily centering around the tariff. John Stuart Mill devoted considerable space to refuting Carey's tariff views and misconceptions of Ricardo. Carey's basic idea of the growth of civilization from involuntary association to voluntary association seems to have been a forerunner of the Sir Henry Maine and Herbert Spencer formula of the development of society from status to contract, except that Carey tied it up directly with the growth of corporations as the highest embodiment of contract as well as with attacks on socialism. Spencer, as a "pseudo" free-trader, was *persona non grata* to Carey, even though his formal conception of freedom was similar.[13]

Carey was always complaining of lack of attention in the United States, but this hardly seemed warranted. The Iron Association made him an honorary member in 1855. Tariff congressmen swore by Carey. Businessmen were willing to subsidize the reprinting of his writings in order to flood Congress and the country with them.[14]

Even academic circles honored him. New York University gave him an honorary degree. President Thomas Hill of Harvard, who had been a professor of mathematics, in a public lecture at Philadelphia

informed his listeners that "they had amongst them one of the greatest philosophers of the time, Henry C. Carey." He spoke of his works in the most enthusiastic terms, especially "his law of the tendency of mankind to be attracted towards the great capitals or other centers of population." [15]

Certainly no economist ever attracted such a host of disciples among journalists. Since he was a man of wealth and influence, with good contacts in the newspaper and publishing field, it was not difficult to attract such men.

## DISCIPLES OF CAREY: RUFUS GRISWOLD, DAVID AMES WELLS, E. PESHINE SMITH

Singing Carey's praises was that literary broker, the Reverend Rufus Griswold, protegé of Greeley and a Whig to the core. His ventures ran from editing a "Native American" magazine to writing compendia of American literature.

Carey's publishing firm had numerous dealings with Griswold, and it was perfectly natural for the relatively poor but ambitious Griswold to attempt to spread his fellow Whig's fame. Most spectacular was his lengthy article in the *American Whig Review*, in January 1851, entitled "Henry C. Carey, The Apostle of the American School of Political Economy." Griswold reprinted it in his own Whig journal, the *International Monthly Magazine*.

Carey, wrote Griswold, is a free-trader. He shows that the "protective system is the result of an instinctive effort at the correction of a great evil inflicted upon the world by British legislation and the only course toward *perfect freedom of trade is to be found in perfect protection.*" In political economy he has applied "the method of the Positive Philosophy," and his works exhibit the chief advance made since *The Wealth of Nations*. He is recognized abroad as a great authority. In fact, his works are used as textbooks in Norway and Sweden. But in America he is unknown. At the University of Pennsylvania, in the street next to that in which the author lives, "books are adopted composed of ideas from empirical and nearly obsolete systems: Say and Ricardo are regarded as expositors of the last and ultimate discoveries."

The *American Whig Review* for October 1850, in an unsigned article that bears all the earmarks of being Griswold's, complained bitterly that Carey's work was introduced in no American college;

but in a footnote it added that since writing the article, it had been informed that "Carey's *Political Economy*, and *The Past, the Present, and the Future*, have been adopted as textbooks—in some New England College, think you, where the sons of the cotton manufacturers are educated [?] or in Pennsylvania, amidst the coal mines and the iron mills?—not a bit of it, but in the University of Virginia, where the children of the abstractionists are congregated." [16]

Bastiat, bemoaned Griswold's journal, had in his *Harmonies économiques* availed himself in a large degree and in a discreditable manner of Carey's ideas. But Bastiat teaches "the optimism of the socialists." [17]

Actually, the chief difficulty with using Carey in the colleges and academies was his prolix method of writing.

Another disciple, E. Peshine Smith (1814–1882), attempted to remedy this defect with a suitable textbook. Smith came of a prominent Rochester, New York, family. He graduated from Columbia College in 1832 and, after attending Harvard Law School, returned to his native city to practice law and journalism. He became an ardent supporter of the Whig William Seward.

He wrote Carey in 1850 that at Columbia College he had learned just enough from McVickar to see that the friends of protection generally based the defense of their policy on unsound grounds, but "your *Past, Present and Future* came to me as welcome as a torch to a man grasping in darkness." However, "we must appropriate [the title] free trade to our own cause, and punish our opponents with another title." He thought that, in view of the fact that Carey and Comte agreed as to the erroneous views of Adam Smith, Carey should visit Comte to point out to him that a social science could only be built on Carey's law of cultivation.

While Smith was temporarily without a newspaper post, Carey suggested to his friend Greeley, who was then trying to arrange for a professorship of political economy at New York University, that Smith would be just the man. Smith wrote Carey that the office of instruction, especially on such a practical subject as political economy, should be taken from men of the closet and handed to those who have been in the world "for which they undertake to prepare youth." However, those who have the disposition of such places were generally decrepit old fogies. Still, Smith preferred a New York newspaper post.[18]

He soon had one again at Rochester, where he was also in 1850–1851 acting professor of mathematics and natural philosophy at the recently established University of Rochester. While at the university he began publishing a defense of Carey as the true free-trader. He became quite annoyed with one "pseudo" free-trade critic of Carey for saying that Carey's theory was a godsend to the "red Republicans." [19] If the critic insists on refusing to read Carey's work, let him read Bastiat's *Harmonies économiques*, and he will see that eminent apostle of free trade adopt Carey's law of proportion and expand it into a volume for "the express purpose of overthrowing the systems of communism and socialism." [20]

Smith decided there was need for a proper textbook. So in 1853 he published a *Manual of Political Economy*, which, he said, is based on purely physical laws. Therefore its conclusions have "that absolute certainty which belongs to the positive sciences." He intended it as "the American System of Political Economy." It was Carey's *The Past, the Present, and the Future* in a third of the space and far more readable. He agreed with Adam Smith that labor should be free. Therefore, to "trammel it by voluntary combinations"—that is, trade unions—is just as prejudicial to the general interest "as if the same object were affected by legislative interference and equally condemned by the great body of economists." But Smith stated somewhat incorrectly, that John Stuart Mill unfortunately approved of trade unions and their respective regulations as wise attempts to protect the workers so organized from the inroads of overpopulation.[21] Thus Malthusianism is used to defend restrictions on the freedom of labor, but, as Carey taught, the increase of population raises wages and if the condition of labor is depressed, the cause must lie in attempts to evade or thwart the "free operation of the law of our beneficent Creator." Therefore Congress was given the power to regulate commerce with foreign nations in order to "counteract any foreign interference with domestic freedom of production and trade, through temptations held out to the immediate selfish interests of individuals."

Such regulations are the means of executing the sole function of government—facilitating and promoting the associations of individuals in the form of corporations. Thereby government extends the power of private competition within the state and diminishes the temptation of the state to engage in any purely industrial operations such as canal and railroad construction. Thus the people of New

York, by the constitution of 1844, which restrained the state from engaging in further industrial enterprises and provided for a general incorporation act, deprived the state of the power of impeding private associations. When nations are poor in wealth and scattered in population, the government may undertake great enterprises such as the Erie Canal, but with the growth of wealth, private enterprise supplies the capital so that no one thinks of having the state undertake a great enterprise.

Smith's textbook went through a number of editions and was even translated into French and German. With Seward's success, Smith received lucrative public offices. But he never ceased to boost Carey's views or listen attentively to Carey's suggestions.

The book found approval in one college at least, Geneva (now Hobart) at Geneva, New York, where the Reverend William Dexter Wilson taught economics, moral and mental philosophy, and divinity, as well as any other subject, and looked to the Careys for intellectual guidance.

Carey had another influential recruit, David Ames Wells, who illustrated just how a free-trade manual for the "working classes" could be easily adjusted to preach protectionism. Wells was a New Englander, born in 1828, in Springfield, Massachusetts, and was reared in the family of his maternal grandfather, who was a big paper manufacturer.[22] He attended Williams College, where the president, the Reverend Mark Hopkins, offered a rather crude brand of the Common Sense philosophy, and the Reverend Joseph Alden taught free-trade economics. After graduating in 1847, the youth of nineteen became an assistant editor of the powerful *Springfield Republican.* After remaining there a little more than a year, he decided to enter Harvard's recently established school of science, the Lawrence Scientific School.

Two years at this school supplied him with a background for popularizing the sciences in their practical aspects. From an ever-shifting residence—New York, Philadelphia, Boston, among others—he wrote articles, edited magazines, and brought out elementary treatises dealing with a variety of subjects. In 1857, for example, he prepared an American edition of Charles Knight's *Knowledge Is Power.*

Knight was extremely popular in the United States as well as in England for his many simple publications on sound economics written especially for distribution among the masses. *Knowledge Is Power*

was devoted to showing that the workingman should seek technological knowledge to improve his lot and not depend on trade unions or labor legislation; for such knowledge will increase capital.

Wells's main contribution to the revision was the insertion of a chapter for the most part taken verbatim with acknowledgment from Carey's pamphlet on *Money*. Knight's treatise avowed free trade in general, but after all the central issue of labor and capital did not preclude a protectionist stand. Thereby Wells felt he could do a good service to Carey. At least he thought that the influential Carey should be made aware of his discipleship.

He wrote Carey shortly afterward that in preparing his series of scientific books, he "kept steadily in view the principles of political economy as I have learned them from you and have endeavored to shape my teachings into consonance with them. . . . You will remember doubtless that in my edition to Knight's *Knowledge Is Power* I incorporated your ideas about money, i.e., that it was a great labor saving machine . . . Your views have attained a wider circulation through this little book, than through the medium of their original publication." Carey was definitely pleased and showered his disciple with his volumes. Wells replied, "I hope you will find your reward in the adoption and practical application of your ideas by the masses of our people." [23]

Other protectionists were soon using Carey's views. Thus A. W. Young, in a later treatise, *National Economy*, took over with acknowledgment Carey's "proof" that free trade drained specie from the country.

Samuel G. Goodrich, voluminous publisher of schoolbooks, proclaimed that Carey and E. P. Smith had produced the outstanding treatises in political economy, even though he used Wayland in his own general school treatise.[24]

## THE "SOCIALISM" OF STEPHEN COLWELL

Carey and his school always attempted to retain the label of "free trade" for their views; but Carey's close friend Stephen Colwell arrived at the same objectives by taking the stand that free trade in general was anti-Christian and cannibalistic. He could even call himself a socialist at times.[25]

Colwell was far shrewder and more subtle than Carey. He had

great advantages over Carey. He grew up in Virginia, had a college education, possessed the finest library in the country on economics and related subjects, and as a devout Presbyterian active in the affairs of the church, had a thorough knowledge of theology both in theory and practice.

He was born in Brooke County, Virginia (now in West Virginia), in 1800; attended the evangelical Presbyterian Jefferson College (now Washington and Jefferson College) in Pennsylvania, and after graduating in 1819 took up law. Two years later he was practicing in a circuit that included Virginia, Ohio, and Pennsylvania. For seven years, from 1821 to 1828, his headquarters were in St. Clairsville, Ohio; then until 1836 he made Pittsburgh the center. After having married into a family of wealth, he acquired extensive iron properties in New Jersey and Pennsylvania and in 1836 made Philadelphia his permanent residence. He was not only a leading iron master, but also prominent in railroads, especially the Camden and Atlantic, the Reading, and the Pennsylvania Central.

He was equally prominent in philanthropic, religious, and educational matters. He was active in the African Colonization Society and the Philadelphia House of Refuge. He was a trustee of the University of Pennsylvania and the Princeton Theological Seminary, and president of the board of trustees of the General Assembly of the Presbyterian Church.

Colwell early showed a deep conservative bent. While a youthful attorney in St. Clairsville, he delivered a Fourth of July oration not long after the Missouri Compromise. He denounced those critics of slavery who wanted some positive action as "patriotic, noisy, selfish philanthropists" devoid of every qualification for public station and lacking in virtue.[26]

During the great agitation over the Bank of the United States in 1834, he denounced all opponents of the bank as lacking in virtue. Jackson's "high-handed" action in removing the deposits, he announced in an anonymous publication under the signature of "William Penn," has destroyed business confidence and has brought about the prevailing distress. The vital credit system, which is essentially a clearing system, depends for its smooth functioning on confidence. The "interference" of government has upset the delicate mechanism and caused a disastrous sacrifice of goods to meet engagements, and thus a collapse of the economic structure.

The thoughtless may worship Jackson now, but history will soon

write his doom and place him among those whom a "mistaken people have placed over their heads for their injury and destruction." The opposition to the bank is really headed by Van Buren and his New York political associates as part of a sinister attempt to use the resources of the most powerful state in the Union in wealth and population to establish a dictatorship over the entire country.

The bank is a Pennsylvania institution and keeps all banks sound. But "we are summoned peremptorily to sacrifice the Bank upon the alter of our party allegiance, . . . and bequeath what remains of our state pride and independence to the Albany Regency." [27]

During "renegade" Whig Tyler's presidency, Colwell, in a series of articles in the Presbyterian *Biblical Repertory and Princeton Review*, attempted to weld together in the name of Christianity the pro-slavery, the high-tariff, pro-bank, and anti-democratic forces of the nation.

The abolitionists, he declared, have helped to rivet more closely the chains of slavery on the blacks. England spent a huge sum to emancipate 1,000,000 slaves in the British West Indies, but their condition as slaves had been far better than the 8,000,000 laboring poor at home. Who is the worse slave? He who is claimed by legal title, supported as a valuable property, and if he runs away is carefully sought at a great expense and carried back as a "lost sheep that is found," or he who is crushed, starved, and cast aside by the bitter competition and must live on the compulsory charity of his master in the form of a poor rate?

The feudal lords in England freed the serfs, not to better the condition of the latter, but to establish capitalism in England. They drove the freemen from the land in order to engage in large-scale farming with cheaper labor. The descendants of the serfs have ever since been degraded heathen paupers in the cities, forced to work for a pittance at ever-increasing hours and demoralized by the impersonal poor relief so that England can capture foreign markets. Thus the poor have been increasing faster than the rich, capital and labor have become sharply separated, and the upper classes have become so contemptuous of the lower that a bloody revolution may ensue.

In England the remedy for capitalism is not universal suffrage, organized public poor relief or factory acts, but individual charity, the spreading of the Gospel through the establishment of more churches, and a direct interest in the poor by the upper classes. Cer-

tainly any political revolution, any increase in the power of the people, would be disastrous, for the "wisdom and experience of centuries would be lost," and the new order would develop as many evils as the old. The "legal rights of the wealthy and the social necessity of duly respecting them" must not be questioned, for by depriving people of what they have honestly acquired this action would bring on convulsions.

It will be long before capitalism sweeps away the independent proprietors of the soil in the United States, he continued; but unless proper trade measures are taken, they will become the victims of capitalists monopolizing the land as in England. Already the cities are becoming crowded with redundant population. The devotees of commerce hold the moneyed power, and that power must be regulated by a judicious tariff or it will consult its own greedy interest, regardless of the sufferings it imposes on labor in the process. Unfortunately, the legislature with its party spirit is incompetent, and the people, instead of being humble and confessing ignorance, act like students who want to be on an equality with the professors.

Under the prevailing democratic system of popular elections, the scum of society, people without business habits, are thrown up as representatives. Contrary to the teachings of demagogues and visionary democrats, the people as such are incapable of governing themselves. The legislature does not look to the past and is heedless of the future.

The only branch of the government that retains its purity, Colwell declared, is the judiciary. The judges are men of principle and independent judgment, free of party bias, because they hold a life tenure during good behavior. Therefore, instead of reforming the judiciary as the demagogues demand, a good deal of the legislative function should be transferred to the courts. In fact, the Supreme Court would be the proper body to appoint the professors and supervise a truly national university for training prospective legislators in the science of government in all its aspects, from constitutional law and diplomacy to political economy and statistics.

Colwell's ideal government appeared to be that of despotic Sweden. Sweden's present dilapidated state of morals, he explained, is due to the effect of plenty and a long period of peace upon a system inured to the hardships and attenuation of war. The King and his heir will revitalize the nation. The King has been accused of resorting to arbitrary measures and of relying on the army for support, but he

used the army to maintain peace. The Crown Prince is a warm friend of true religion and moral reform. He advocates temperance and has written an "excellent work on prison discipline, in which he advocates the system of solitary labour." Colwell especially praised that government's statistical institute which prepared what he considered incomparable reports on crime.[28]

When a "true" Whig became President in 1849, Colwell, under the pseudonym of "Jonathan Wise," again appeared in the public prints to plead for Clay's doctrines. Under the low Tariff of 1846, the country's specie was drained to pay for the excessive imports, he declared. To save themselves, the banks had been forced to reduce the currency and thus brought destitution and bankruptcy. Therefore, government, to prevent overtrading, should raise import duties and at the same time should open a credit abroad to save the banks.[29]

He was more specific in the anonymous memorial he prepared on behalf of the Pennsylvania iron masters convention of 1849 for a higher tariff than the average prevailing rate of 30 per cent. The increase is necessary to defend the country against those destructive commercial fluctuations which originate in Great Britain, he said, and which, instead of expending their force at home spread havoc in the United States through a necessary dumping of British manufactures and the consequent disruption of the nation's regular course of industry.

England still has some great advantages. The cheapness of money in England has enabled her manufacturers to prosecute their business with more vigor and economy and to introduce quickly many modes of saving expense. But even if the American iron industry were as greatly developed as in Great Britain and enjoyed equal advantages, protection would still be necessary to defend the country from commercial irregularities. Each of the equally powerful competitors would otherwise in periods of depression attempt to relieve their home markets by "dumping" their surplus in the other country until both markets, unable to maintain sufficiently high prices to compensate for unfavorable periods, would sink into hopeless depression. British manufactures must be prevented from flooding the market at less than the average price upon which their business thrives.

Among those most deeply interested in the prosperity of the iron manufacturers are the farmers who furnish food and the planters who furnish the clothing for the iron operatives. True, it costs more to manufacture here than in England because of high wages. But the

iron masters do not favor a system which contemplates a reduction of wages and consequent degradation of the workingmen. The consumption of every country is regulated by the laborer's wages; if he is liberally paid, he will consume freely. The mass of the consumers must be the laborers, and when they can extract a fair compensation, all prices will soon be adjusted on the same scale. The manufacturers will demand for their products a price proportionate to the cost of labor; the farmer will do likewise, and so on through the whole course of industry. The laborers contribute to maintain prices by a consumption proportioned to their income. Since all persons concerned in the adjustment obtain justice, the largest possible consumption arises. The stimulus to exertion and increased production will be complete because every product can be exchanged at a fair rate for other products. The production and consumption will be limited only by the physical abilities and mutual wants of the producers. Thus the season of the highest prices of iron are those of the greatest consumption.

The danger of monopoly by domestic producers would be prevented if the government sustains "the domestic manufactures at the point of full production" and then admits the article freely.[30]

After reading the memorial, Cooper's protegé and associate, Colonel David McCord, the South Carolina banker, lawyer, newspaper publisher, and planter, succinctly asserted that it would take more than a Philadelphia lawyer to determine when the iron interests would acknowledge that they had reached the point of full production.[31]

Colwell's memorial brought little result, and shortly after its presentation he began to place emphasis on his old approach through theology. So in 1851 he released his anonymous *New Themes for the Protestant Clergy*, which he had originally planned to present in a series of newspaper letters "as the production of a manufacturer or workingman."

Protestantism has resulted in many triumphs for science, arts, and industry, he began. A high business morality of strict adherence to contracts and trusts has arisen. But pursuit of riches, of production and the extension of commerce, has tended to become excessive and has resulted in the oppression of labor. This arose from the free intellect that accompanied, but was not indigenous to, Protestantism; and this in turn arose from too much reliance on learning and not enough

on the affections, so that the spark of Christianity, brotherly love, and charity is neglected.

England, for instance, has a blessed constitution, the most wise and vigorous administration, and the advantages of climate and soil; but pauperism increases because the Episcopal clergy, instead of going among the poor, preach the Malthusian doctrine.

The masses bereft of the direct moral guidance of the upper classes and clergy, are beginning to think that their low position is not their fault and are absorbing radical doctrines that will culminate in revolution and bloodshed. The clergy should show them "that their ideas of remedies are impractical" and inform them that the precepts of Christ can completely solve their problems.

The law can step in at one place to protect the "poor" from the unchecked greed of merchants which the individualist philosophy of free trade enforces. That is, of course, the right kind of protective tariff. Thereby Christians will exalt the science of social well-being—the act of doing good—to its true elevation and make all other sciences subordinate and contributory to its perfection and efficiency.

In his elaborate "notes" on the literature, Colwell recapitulated his argument to support a protective tariff and denounced organized poor relief whether by the state or private organizations. The English writers understand clearly that the necessary expenditure for relief, if undertaken by government, would be so large as to require an unjustified violation of private property. They do not realize, however, that the requisite sacrifices must come from individuals spontaneously under the pressure of religious motive.

The socialist-minded—that is, non-Christian reformers in general—have served a useful purpose in exposing selfishness, but they have injured their cause by absurd and wicked schemes. The Church is to blame in not showing these socialists that the equality and brotherhood they seek is to be obtained through Christianity. In this sense there is much more in common between Christianity and "true socialism" than between Christianity and "political economy"—that is, free-trade economics.

The book caused a terrific uproar in theological circles. The Episcopalians in particular were aroused over his aspersions on their faith. Samuel Austen Allibone, the Philadelphia banker, took time off from compiling his monumental *Dictionary of English and Amer-*

*ican Literature* to write a denunciation of Colwell as an infidel and socialist.[32]

But Colwell's fellow Presbyterian, the Philadelphia pastor William Henry Ruffner, understood at least some of the objectives and he defended Colwell against his critics. Ruffner declared, in *Charity and the Clergy* (1853), that Christianity teaches socialism from beginning to end, but we have permitted "a set of Christ-hating philanthropists to filch and appropriate our great Church idea . . . we have no sympathy with that riff-raff horde of Abolition and Fourierite fanatics."

Colwell soon acknowledged authorship and condemned his critics for not observing the law of charity. He became a little more concrete in his anonymous *Politics for American Christians,* which appeared just before the election of 1852.

In every country there is a fair rate of remuneration of labor, he said, and this rate would be reached in the progress of industry if the "intervention of disturbing causes were excluded or duly regulated." The mutual transactions of men ceaselessly dealing with each other under the protection of wise and equal laws embodied in a proper protective tariff would enable them to fix prices with reference to the quantity of labor expended. Cheapness is not the chief object, for this is obtained only by oppressing the producer. Since foreign commerce is extremely fluctuating and hazardous, it is unfit to be a regulator of wages or a patron of domestic industry.

Of course, the individual's right to the means of spiritual life and growth, recreation, and comfort would assure his right to a ten-hour day; but the other and nearer question of protection takes precedence for the present, and besides, "there would be no Christianity in making bad worse." He warned sympathizers of the European revolutionary movements that good Christians should advise all to "be subject to principalities and power and obey magistrates." They must make it known that Christians seek the advantage of their authorities as well as their subjects.

He lauded the federal system which prevented congressional "interference" with slavery in the southern states. Otherwise a centralized government would have arisen, and the individual would have been sacrificed to the state. Patriotism and religion have suffered because of popular elections and universal suffrage. We have enslaved electors by forcing them to obey their constituencies. Good men are elected to high office, but the politicians strip them of all

power. The republican government is likely to become the most despotic because self-government has greater ability to do damage. So in his also anonymous *The Position of Christianity in the United States* (1854), he declared that to "instill patriotism and religion, to purify political life, from the danger of the infidelity of revolution abroad, all Christians must unite in a common national party" and resurrect Hamilton's scheme of a "Christian Constitutional Society."

At the same time, in both the revised edition of *New Themes* and in the American edition of the Reverend William Arnot's *The Race for Riches* (1853), he offered a prize of $500 for the best treatise on "The Law or Doctrine of Christian Charity as Taught and Exemplified by Christ and His Disciples." Contestants must take account of the fact that the laboring classes should not be dependent on the actions and results of foreign competition, that "separate property and unequal accumulations" accord with the doctrine of charity, that a person with superior physical and intellectual strength will command or acquire greater wealth and thus receive special responsibilities under a stewardship.

To push further his view on charity and its corollary, a higher tariff, he had some foreign works on the subject translated by a former professor in Switzerland, G. A. Matile, who was exiled from his native land because of the revolutionary turmoil of 1848 and was a bitter opponent of any form of socialism. One of these was the Reverend Stephen Chastel's *The Charity of the Primitive Churches*, which "proved" that private charity was the only sensible kind of charity.

To adumbrate that the right kind of "charity" meant, for one thing, the right kind of protective tariff, Colwell had Matile prepare in 1856 the first English translation of List's *System of National Political Economy*. To protect the reader from certain "erroneous" details in List and to place the matter in its proper "moral" setting, Colwell prepared a lengthy introduction and added notes on points he questioned in List.

As he had always done, Colwell denounced *laissez-faire* political economy, or, as he called it, the "School," as emphasizing materialism, selfishness, and production rather than the well-being of man as a whole. It refuses to recognize the interrelations of economics with politics. It does not allow for religion and morals. It is abstract and non-historical. It is for the benefit of England and the rich capitalists.

In fact, true political economy could not be a science. The busi-

ness of governing in reference to the interests of industry and trade "are far too numerous and capricious to be reduced to the despicable condition" of absolute non-intervention, as advocated by the School of Say, without ceasing to be a proper government. "Does not every government repress all improper movements of the working classes to gain undue advantages? The government alone can survey the whole field of national industry and ascertain the condition of all the laborers—how many are suffering . . . from indisposition to labor —how many are suffering from the influx of foreign products."

In his elaborate introductory survey of political economy, Colwell even showed by his preferences among writers just what was the right kind of intervention for the public good. He extended the greatest praise to Melchiorre Gioia (1767–1829), who, in fact, was a Benthamite. According to Colwell, he was known as the "Colossus of Political Economy" in Italy. Colwell especially noted that one of Gioia's books on the kindred topic, "The Philosophy of Statistics," had pointed out the grave errors of the principle economists, especially Smith and Say, and declared that the government's influence was useful in the construction of good roads and canals.

The meaning of these latter was amplified in Colwell's praise of the Virginia law for state subscription of three-fifths of the stock of turnpikes, railroads, and canals. The government might also intervene, according to Colwell's quotation from Gioia, to grant public aid by money or credit to enterprising men introducing new branches of industry, either with or without interest, or upon long terms of repayment. The government should also repeal all usury laws.

How to dispose of the liberal-minded free-trader Mill's treatise created something of a problem to Colwell, for Mill's title, *Principles of Political Economy, With Some of Their Applications to Social Philosophy*, precluded the usual charge that it was not concerned with "social well-being." But Colwell found a way out. It was that Mill, as a great logician, "owed the public a treatise on the pure science." He had no business mixing up the art with the science because he was not and could not be a practical statesman. True, Mill occupied a high position in the East India Company; but, while it afforded him leisure for study, it gave him little opportunity for becoming versed in the affairs of the world outside of the concerns of the company. "We do not expect our men of science to become . . . our men of business or of art; but we expect our public men and men

of art to overlook no progress made in the science which can furnish them aid." Therefore if Mill, instead of aiming at the popularity of Adam Smith, had bent his whole mind to elucidating the science, he would have been more useful to the world. Nassau Senior did this; therefore he stands foremost in the pure science of political economy.

Even List came in for some "corrections." With some consistency, List had argued that France had foolishly restrained by duties the importation of semi-finished manufactures and agricultural products essential for developing manufacturing power. Among these were iron and wool. Of course, Colwell could not see iron as a free good. "There is no article of manufacture more important than iron, for its large employment is the chief characteristic of civilization," stated Colwell in a footnote.

Colwell could hardly call wool-growing a manufacture, but then the wool interest was useful if a higher tariff on iron was to be gotten, at least while the New England textile manufacturers opposed a higher iron tariff because it would increase plant and equipment costs. Consequently, Colwell added, in regard to wool the terms employed by List "are too general; it should in regard to every and each commodity be a subject of special and sound discretion what should be done for the interest of labor and national independence."

The greatest disturbance to the orderly working of the industrial system outside of, but ultimately related to, the tariff was the defective monetary system. In a sense, Colwell returned to an old faith in a private national bank and a proper inconvertible currency. This was elaborated in his finest treatise, *The Ways and Means of Payment: A Full Analysis of the Credit System with its Various Modes of Adjustment* (1859). Into its 644 pages Colwell poured a large part of the contents of his vast library on the literature of banking.

It was even more elusive than his other books. There is hardly a theory of banking and currency that is not to be found in its pages, but all of them were turned to disproving the hard-money policy of the government. In 1851 when he had begun publishing on the matter in the leading financial and mercantile journals, he had been disturbed by the threat to demonetize silver and called instead for the demonetization of gold lest the United States become increasingly dependent on England. Now he had worked out a full-blown argument and scheme, ostensibly to increase the specie horde of the nation as "balances," not as a medium, with of course, a "national bank" to regulate the currency.

His starting point was Sir James Steuart's concept of "money of account," and with it went Steuart's mercantilist views. The money of account, said Colwell, is "the language in which prices are expressed and books of account kept." It originates from some coin or special weight of specie, but it soon becomes so fixed in men's consciousness as a unit of value that they "carry the memory of that value in the mind and use it with the same effect, abstractly as if referring to the coin." It need not and should not have a corresponding unit in actual exchange, for this endangers its steadiness as the measure of the true or equitable, or labor, value of goods. Thus when gold "depreciates," it should be quoted at a lower price in the money of account instead of forcing "the money of account" to share its depreciation by virtue of the legal-tender act fixing its legal value.

In other words, specie should be demonetized or, as he attributed to Gioia, his great authority for state intervention, in the introduction of the List volume, specie should be allowed to fluctuate according to the "market value, without fixing that value by a law of legal tender and commerce in specie should be placed under restrictions." [33]

It is also found in one of the conditions for the $500 prize on the "Doctrine of Christian Charity": Whether "it is right for rich men to keep their wealth . . . unproductive or even at usury in the bank, while the employment of the mass of labourers is left to those of inadequate means, who cannot punctually pay the wages of their men, and who frequently fail and never pay them." [34]

Money—specie—is important for retail trade and balances, but it is not essential to exchange in trade. Most payments are made through the credit system without use of specie or any similar equivalent. Larger payments are made almost exclusively by means of credit in units of abstract money of account. Thus credits cancel each other at the banks without the intervention of specie money. Commodities and services pay for commodities and services; men apply their credits to the payment of their debts. Credits, through the cancellation of which payments are made, whatever be the shape they take, whether bank notes, bank deposits, or less important representations of private credit, "become a general instrument of purchase, not because they are money or representatives of money," but because "they are the chief medium of paying debts." This, not convertibility, gives them their value. In fact, convertibility, when actually required in a period of stress, breaks down, and the banks themselves either are forced to admit failure to make payments on demand or become a scourge to

the community by inflicting the hardships of a drastic contraction.

Under the present system an unfavorable balance of trade or the fear of ignorant depositors causes a panic because the notes must be paid on demand. One alternative would be the absurd, destructive one of a 100 per cent reserve against all bank notes and deposits. The true solution would be to make bank notes receivable at all times in payment of debts to the bank, but the bank should redeem the notes only on the maturity of the loans that brought into circulation the notes and deposits. Thus the bank notes would be absorbed in paying debts to the banks, and the banking system would become one of effective barter. Such post notes (which Colwell doubtless knew Biddle had used in his speculations) would involve some trouble and expense, but "the ingenuity of bankers and engravers could overcome the difficulty."

Such post notes are essential to protect the banks in the large cities, he said. Should these city banks, as the nerve centers of the country, be compelled to contract loans because of a demand for specie, the result would be a loss tenfold the specie, and soon the baleful influence would extend throughout the country.

What is more, with a smooth-running system of credit available, interest rates would fall. The rate of interest is not dependent on specie, but on the available credit fund created by discounting commercial paper. At the same time, bank notes and deposits should be amply protected by placing adequate securities with the state.

Colwell pivoted the whole discussion on an elaborate analysis to prove that the quantity theory of money was erroneous, both in the narrow sense of specie and in the broad sense of "mixed currency"—specie, bank notes, and bank deposits. The quantity theory, he said, is the work of "theorists" or system builders. It is disproved by statistics. The causes affecting prices are too numerous, too indefinable, and react so much on one another that the effect of money cannot be precisely determined.

"The general range of prices, as it rests in the mind of the body of dealers, is one of the most sensitive things in the world. Like the ocean, the least breath of wind from any quarter will ruffle the surface, and it requires but a breeze of demand or speculation to set the whole in rapid movement, if not wild commotion, the result and termination of which none can for a time conjecture." Whatever belongs to abstract science may be explained by exhibiting the immutable laws of nature or the unfailing processes of mechanics, or the demonstra-

tion of mathematics, but that which depends on the minds, temperaments, and passions of men and the casual occurrences of life, as do prices, can never be reduced to algebraic formulae or laws like those governing bees and ants. Of course, other "influences ceasing, prices must constantly tend to correspond with the cost of production," as the mathematical economist Ricardo contends. But this center is itself changeable. In truth, the cost of production itself depends so much upon prices that the inquiry into the cost is carried back into an inquiry about prices, and so the investigation turns in a circle.

Colwell argued for the most part in familiar fashion that the amount of bank currency was the consequence, not the cause, of rises in prices. This doctrine, he said, is supported by experience and by the authority of the English financier and businessman, Thomas Tooke, who "proved" by statistics, careful observation, and reasoning in *A History of Prices*, according to Colwell, that price changes originate in the circumstances affecting the commodities and not in the quantity of the currency.

Finally, Colwell bluntly defended high prices as he tacitly admitted that the increase of currency might raise prices. Many believe, he said, that prices are so inflated by a superabundant currency as seriously to diminish exports. They contend that if paper currency were banished, prices would fall, and the United States could manufacture against the world. But the withdrawal of these bank facilities would check industry and trade, and the result would be a decline of exports and production.

The present high prices are a public benefit, not an evil, for they give to labor its just compensation and thereby keep the industrial system at a high and increasing level of prosperity. Of course, this does not mean that the mass should be given higher wages directly, but rather that a higher tariff along with the financial measures would prevent foreign competition from disturbing the internal process that guarantees high wages.

To carry out the financial reform, the independent treasury system should be revised, Colwell felt, so that it would conform to the "habits and customs of the people." True, the Constitution specifies specie as the standard of payment, but people are accustomed to using paper currency and credit. These are more effective and economical. Their use would be even more general but for restrictive laws and restraints on banking. Except for the California gold discoveries, the Treasury's adherence to specie exclusively would long ago

have created a financial disturbance that would have shaken industry.

Our system assumes, as its name indicates, the attitude of being independent of the people, for it admits no contact with the business interests of the country. In Great Britain, however, the Treasury leans upon the Bank of England, the greatest commercial institution, and thereby establishes a sympathy with the needs of trade which tempers, if it does not control, its whole operations.

So Colwell advocated first of all that a government use a very limited amount of non-interest-bearing treasury notes of small denomination, and in addition interest-bearing notes of larger denomination payable after six months and longer, to provide investments for banks and wealthy individuals.

The Treasury would thereby hold all the spare specie of the nation, and the banks would not only get interest on what they had hitherto had to hold for reserves, but would have a security which would command the specie in emergencies.

Finally, there should be a national institution, set up with the approval and support of the best banks ostensibly to serve as a national clearing system to obviate the expense and friction of the settlement of debits and credits, just as the New York Clearing House does locally for the New York banks. But Colwell outlined the organization along the lines of the private national bank that Clay had desired. Of course New York was to be the center of its operations.[35]

The financial community, judging by the space given to the book in the *Bankers' Magazine*, was enthusiastic. In a summary of the volume the editor declared that the worst shock to commerce arises from the violation of the evenness in the exchange of commodities. For the remedy we should not look to increased stocks of specie nor "to any new restriction upon the abuses of banking, nor to any increased securities to be furnished by the banks; we must look . . . to further progress in the path of setting off debts against debts, to some improvement in the modes by which men apply the paper they receive to pay the paper they give." The clearing house is a step in the right direction and could be developed into a system of "clearing credits"; in other words, a scheme resembling A. B. Johnson's "receivables" and Mathew Carey's "bank credits."[36] Actually Colwell was following in the footsteps of Bollmann both in his elusive methods of argument and in his proposals.

Meanwhile Colwell had to cope with the most serious problem of the country, the ominous threat of secession as the North took a more

definite stand against the extension of slavery. So in 1856 he appealed to the South as a "friend" in an anonymous pamphlet, *The South*, not to threaten secession, but to support a rise in the tariff for the sake of slavery and prosperity. By foolishly following the "professorial political economy" of Adam Smith and J. B. Say, the South is surrendering the soundest defense of slavery—namely, that it is for the benefit of the slave.

Colwell at least was formally consistent, for he not only insisted that free trade with the North damaged the South, but also chided the South for not consciously realizing it. The Constitution, he said, prohibits the South from passing restrictive commercial regulations of its own to secure industrial independence. Therefore the southern legislatures must use other means such as granting premiums on the manufacture of textiles or "by conferring important favors on the North and securing adequate compensation in return," as by a rise in the tariff.

Of course, when there seemed to be a danger that the South might take seriously his comments on the commercial and financial hegemony of New York and began talking of building up the local ports and markets and retaining its funds in local banks rather than New York balances, Colwell soon enough pointed out in another anonymous publication, *New York and the Five Cotton States* (1861), that the concentration of business in New York enabled both commercial and financial operations of the planters to be done at a cheaper rate because of economy and convenience.

It is true that southern deposits in her banks add to New York's immense advantage in capital. New York is the financial capital of the United States and as such is the bank of the bankers of the whole country who find it advantageous to keep large deposits in New York. This is a purely financial expedient for the benefit of those making the deposits. Such concentration of deposits makes a greater sum available to the South at any time than if these funds were scattered in different banks at home.

But the southern states should hold a conference to prepare a uniform slave code to provide security from insurrections. A regular secret police should be selected from among the slaves but be controlled by whites. Care would be necessary that they should not "incur the odium which belongs to spies and informers."

The North, too, must learn that men are neither born equal nor do they grow equal. Some are born suitable only for subordinate

positions, some are so little disposed to obey the requirement of labor that they need to be continually urged if not compelled to that duty. Civilization exists, Colwell exclaimed on the very eve of war in one of his rare signed productions, *The Claims of Labor and Their Precedence to the Claims of Free Trade* (1861), because the masses who labor "are like horses saddled and bridled for work." But the philosophy of free trade makes its devotees—especially the English economists—abolitionists and opponents of paternal government because that philosophy gives the claims of free trade as against protection precedence over the claims of labor.

In approach Colwell resembled Brownson. The Whig and the Democrat "laborite" both clothed their doctrines in the garb of Christianity, upheld slavery, and denounced "capitalism." They were on opposite sides of the tariff and the federal government's hard-money policy, but each blamed democracy for the vicious opposition.

On the other hand, Carey and Colwell stood stanchly together. The technique of each might be somewhat different from the other, but they managed to reach the same conclusions. As Carey put it, "Between us, . . . there has never been any essential difference."

Carey defended his positions in the name of individualism. Colwell defended the same positions by denouncing "rank individualism." Each, for instance, attacked the hard-money policy in behalf of unrestrained control in banking, currency, and finance by the large city banks; but Carey did it by eulogizing specie, Colwell by denouncing specie. Colwell was willing to give Carey advice privately in 1855 on how to use the argument of the need of specie in combatting the opposition of the railways to tariffs in iron products, especially rails. The railway companies take iron from England, Colwell wrote to Carey, because their bonds are taken in payment. But their interests are bound up with the domestic industry. If we had not overtraded during the last five years, we would not have lost $250,000,000 of gold exports. This would have provided the basis of expanding business operations at least fourfold the value of the gold. "What would today be the rate of railway dividends and the price of railroad stocks?" This, Colwell added, would be a "great idea to keep before the public."[37] And Carey wrote accordingly in a pamphlet, *Present Situation and Future Prospects of American Railroads* (1855).

So Carey could even applaud Colwell's denunciation of Herbert

Spencer's *Social Statics* for its consecration of selfishness and individualism as the primary elements of society, even though this "most distinguished and most popular . . . of the advocates of [the] *laissez-faire* school" might be using Carey's idiom.[38] But then Spencer was supporting free trade, electoral reform, and disestablishment of the Church of England.

## CHAPTER XXX

# The Cautious Protectionists

### ALONZO POTTER'S ECONOMICS FOR MECHANICS

THE Reverend Alonzo Potter (1800–1865), college mate and close friend of Wayland, was very cautious on the tariff.[1] He came of New York Quaker farmer stock. His father was a man of some substance and of sufficient local importance to serve in the state legislature. After graduating in three years and studying a year for the ministry, Potter was appointed a tutor, and at twenty-one became professor of mathematics and natural philosophy at Union College. Three years later he married President Nott's daughter. In 1826, through Wayland, he got an Episcopal pastorate in Boston and Wayland took his Union position. After five years in the ministry Potter suffered a customary ailment which covered many things—namely, loss of voice—and returned to Union as professor of moral philosophy and rhetoric. Later, in 1838, he also became vice-president.

In religion and philosophy Potter was for straight Common Sense and the Bible. The Hegelian philosophy was anathema. To him it was an example of how religion may be insidiously undermined "through a skepticism which clothes itself in the guise of reverence and voluntary humility." So he warned prospective theologians against the "high *priori* road." There are no "transcendental reasonings" which are at liberty to array themselves against "the sure word of prophecy." [2]

Potter pushed all forms of popular education, including Sunday schools, common schools, extension lectures, mechanics' and young

men's associations. In 1835 he planned to prepare for "mechanics and artisans" two small volumes designed especially to aid them in their efforts at "self-improvement," one on "the Application of Science to the Useful Arts, and the other on those 'Principles of Political Economy' which are most interesting to the industrial classes." [3]

At this time Potter was given an opportunity to present a concrete example of true economics. The rise of trade-union activity in New York had just brought the assertion of the old rule of conspiracy against them in the courts. Through the high Whig *New York Review*, Potter severely castigated trade unions. But judging by the organ in which the article appeared and by Potter's diatribes against reformers in general and the "Friends of Equal Rights" in particular, the article bears the earmarks of being aimed as much if not more at the Democratic Party of New York as at trade unions.

The multitude, the numerical majority, now have absolute power, said Potter. The danger is great, for the majority are propertyless. Edmund Burke has well said, Potter continued, that in a republican government with a democratic basis the rich require an additional security above what is necessary in monarchies. They are subject to envy and through envy to oppression. Hence in republics property is often compelled to appeal from the law to bribery and corruption. Regulations lessening its sacredness, limiting the extent to which it may accumulate, and partitioning lands have eventually resulted in a general scramble for spoils. The poor begin by setting aside vested rights and preying on the rich and end by being their victims. The reformers and agitators are generally un-Christian, seditious, self-seeking foreigners. Potter included among these demagogues even Harriet Martineau! He said that she did not fall much behind Robert Owen in her zeal for a community of property.

The greatest evil of popular government, he said, is "that untiring spirit of change" in the people that renders all investments of capital insecure. The politicians utilize the spirit of discontent to get office. Golden visions are held up before all who are for putting down a party, repealing a charter, destroying a bank. But reform weakens the habit of respect for laws and thus will destroy all property. Even if the rich are oppressive, reformers should not plunder them under cover of the law but inspire them with larger justice and humanity, and especially by teaching them that their own interests are "indissolubly united with those of the labouring classes."

The most prominent evil in the laboring class is the trade union. It

degrades the laborer's character and leads to class differentiation. Journeymen, instead of striving to become employers, now hate all employers. Their leaders are foreign incendiarists "who have but just escaped from legal disabilities" and who, instead of being grateful for an asylum, hasten to abuse the existing institutions. Their misguided followers, instead of having libraries and societies of useful knowledge, hear of "equal rights," "rapacious capitalists," "grinding employers."

Wages, instead of being low, as the unions charge, are in fact so high that with moderate labor a workingman not only receives enough for necessaries and comforts, but can save for old age. If the "factious and discontented" could be forced to reflect dispassionately on their condition, they would fear that "higher wages would only tempt them to idleness and prodigality." It is "a melancholy truth, that in every country the best-paid workmen are usually the most thriftless and irregular."

The unions complain that high profits are obtained at the expense of wages, but, on the contrary, large profits are good for labor. If profits are high other capitalists enter the business, and the competition of the employers for labor increases the demand for labor, hence wages rise.

Unions and strikes are fundamentally vicious because by interfering with the freedom of employer and non-member they interfere with that liberty which is "the birthright of the American people and the foundation of their happiness." They injure the agricultural class and the public by causing unnecessarily high prices for their products. They cannot benefit the laborers, for they violate a fundamental law of economics, nature, and God—the law of supply and demand—in this case between the number of laborers and the quantity of employment. Should the unions fail to see the iniquity and uselessness of their course, then the masters will combine in order to enjoy the privilege of "controlling their own concerns and escape the tyranny of a dark and irresponsible junto." These employer associations have developed in England in the form of chambers of commerce. But they are more easily achieved here, and in fact have already appeared in the United States because "competition is less close" and is conducted on more "generous principles" than in England. True, the most thoughtful union members feel that the unions could eventually embrace both masters and men and thus arrange the rate of wages by mutual agreement. But the experiment was tried

in Europe and failed. Boroughs, corporations, and guilds were of such a character, but their restrictive practices so raised prices that industry left for areas where these restrictions did not exist.

Today the "zeal for monopolies has been shaken among the mercantile class because they have gradually acquired more just and enlarged views of their own interests." The dissemination of such views among laborers would lead them to discover that they do not need the protection of organized unions. But, above all, efforts should be redoubled to spread among the people the influence of pure and undefiled religion. "Without this we are inevitably lost—we may be lost soon." [4]

The immediate corrective is the inculcation of sound political economy. If political economy is pursued in the true spirit, "it becomes—not the disorganizer of society, but its conservative principle." It is the duty of the American economists, not merely in the name of science but also in behalf of higher truths, to stamp out those gloomy forebodings of even some reputable economists to the effect that society through excessive population and decreasing returns to labor is doomed to wretchedness, only to be avoided by the devastation of war, famine, or pestilence.

Potter felt that Henry Carey was wrong, however, in holding that the false principles of Malthus that might lead labor to consider the employers as enemies flow from Ricardo's theory of rent. Ricardo's theory that rent is a differential in fertility, in the indestructible powers of the soil is a fundamental truth, said Potter; but this tendency toward diminishing returns in the cultivation of the soil is more than offset by the advance of skill and capital. If the Ricardian theory so interpreted is accepted, Potter continued, then England can be most effectively shown to be acting against her interests in enforcing the Corn Laws and restricting American credits. Under the true doctrine, England would invest in the superior soil of America to provide her people with cheap bread. English landlords might lose a little temporarily, but the profits of her capitalists, manufacturers, and merchants would rise immensely.

Potter also thought that Carey's "historical" approach was less useful than strict deductions from Common Sense principles. Though the conclusions reached will be substantially the same, still there is more danger of going astray with the statistical-historical method, said Potter; for the latter obviously cannot be as precise and simple. Thus value is elucidated in the crude barter of Indian savages or the

bargaining of schoolboys in their short periods of relaxation, rather than in the statistics of the customs house.[5]

Finally, in 1840, Potter published for the lower schools and the public his *Political Economy, Its Objects, Uses and Principles Considered with Reference to the Condition of the American People.* The larger portion of the book, devoted to general principles, was taken verbatim, as Potter stated, from the first part of *Political Economy as Applied to the Present State of Britain,* written by George Poulett Scrope, a member of Parliament.[6]

Scrope was a free-trader; but, like Henry Carey, he opposed the Malthusian doctrine and asserted that the high wages and prosperity in the United States cannot be explained by her vast tracts of wild lands. Until recently many of the states of the Old World, and all parts of the new had such lands; the depressed condition of these countries arose from the vices of their government and institutions, from "the unnatural restraints imposed on industry," and from the age-long ignorance, vice, and bigotry engendered in the people and the rulers. The United States in a short time has developed into one of the most powerful, wealthy, prosperous, and civilized nations because of different "*political institutions and moral training.*" Such a eulogy was naturally acceptable to Potter, but other features of Scrope's work were not. His sympathetic treatment of the poor laws and the absence of the usual extreme denunciation of trade unions, Potter evaded by not including the later chapters of the Scrope book in his treatment.

Potter asserted his own protectionist proclivities by adding qualifying footnotes to Scrope's text. For example, where Scrope asserted that a reduction of a duty would lower prices, Potter argued in a footnote, as Mathew Carey had done, that such action would raise prices. A high duty induced more capitalists to enter the business and the competition reduced prices. So Potter could say in his summary of the "established" doctrine that, under certain limitations, both domestic and foreign trade should be free.

One footnote qualification contained the germ of a significant development in orthodox economics that Nassau Senior had presented in England. Besides land, labor, and capital there is another large source of wealth, Potter asserted—namely, "the exclusive possession of instruments and processes of extraordinary skill, powerful connections, etc." Since these owe their origin in many instances to nature or accident, they are analagous to land, and "hence instead of

making land one of the *principal* elements of wealth, it should rather have been considered as a species, of which all these natural and adventitious advantages would have formed the *genus*."

The right of the possessors to these returns must not be questioned. Costs, said Potter, include not only wages and labor, and capital consumed and the profits thereon, but also "revenue for superior fertility of soil, advantages of position, secret processes, etc." The last has often been termed "monopoly, because the right to receive it is not equally accessible to all." But the right is just and expedient since it encourages foresight, inventions, and personal improvement. Potter also added in a footnote that laborers, landowners, and capitalists are usually presented in the treatises as distinct parties in distribution. But in fact these can hardly be distinguished, least of all in the United States. The laborer is usually to some extent a capitalist, and vice versa. The proportion which each receives could be fixed justly only by free contract. "Law ought to interfere only to protect persons and property, and to encourage production."

Potter's substantial contribution to the textbook was a "supplementary chapter," about one-third of the book, as a "special application" of the fundamental principles of the science "to the condition of labouring men in the United States." This was his 1838 article attacking trade unions.

On slavery Potter had nothing to say in the textbook. But his eulogistic biographer explained that he "made no factious assault upon the institution . . . as it existed under the law of our country." [7]

Union College itself used Say as a textbook, which Potter praised in lists of proper books he prepared for the public, but this did not prevent Potter from espousing protectionism.

That other treatise he had promised the apprentices was finished at the end of 1840 and published under the title *The Principles of Science Applied to the Domestic and Mechanic Arts and to Manufactures and Agriculture* (1841). It praised large manufactories for utilizing the labor of otherwise unemployed women and children, as well as for making labor more skilled and intelligent. The great factories promote mental development by bringing men together, inciting them to competition, and opening an indefinite career for improvement, said Potter. Men are rarely aroused to full exertion of all their activities until they are brought into contact, "in some measure into collision with their fellow men." This is attained more completely in large factories than is practicable in the operations

of agriculture. The parts of the process are so graduated that there is an occupation for every degree of strength, skill, and talent, so that a child who enters a manufactory can see open before him a "perfect series of employments, ascending regularly from the carding room . . . to the office of Superintendent, Engineer or even proprietor, each employment calling for greater intelligence and skill than the last, and each proportionately more lucrative and respectable." Indeed, the whole atmosphere of a large manufactory is rife with intelligent activity which extends its influence not only to the inmates, but also to the agricultural population of the vicinity.

But if the great industrial development which has enabled the United States to compete with England on her own ground, and even to supersede her in making coarse cottons for export, is to continue, then in the words of Washington it will need the "concurrence of virtuous individuals, and the combination of economical societies, to rely as much as possible on the resources of our own country"—in other words, according to Potter, corporations and proper tariffs.

With the Whigs in office in 1841, Potter became more openly enthusiastic about a tariff, even in a handbook in education, *The School and the School Master* (1843). Education, he declared, is the effective way to see to it that the people provide a proper tariff, not one that does "wrong" things such as imposing heavy duties on raw materials or goods used in the manufacture of commodities that Potter deemed worthy of protection. If properly educated, the people will maintain all necessary restraints on freedom in order to encourage native talent and enterprise and promote the ample development of their resources.

There should be provision for industrial training so that a poor youth, after completing school, is apprenticed. The industrial training is more important than that given in schools because, without a regular pursuit, youth has no regular place to fill and becomes an excrescence of society. Thus the Continental countries, besides passing tariffs, are developing industrial education to emancipate themselves from English thralldom and to be able to compete successfully with the immense skill and capital which England has invested in these arts and by means of which, in connection with her restrictive policy in trade, she has until recently made herself the workshop of the world.

In 1845 Potter received recognition of his great talent by being made Bishop of Pennsylvania. While a trustee of the University of Pennsylvania, he engaged in an unsuccessful struggle with Henry

Vethake over reforming the university. He wanted the school to engage in graduate work and vastly extend the curriculum before some other leading school did. He asked for freedom in choice of studies and free competition in teaching. He thought it would be easy to obtain a competent faculty at lower salaries than were paid elsewhere because of the intellectual advantages of residence in Philadelphia.[8]

## JOHANN LOUIS TELLKAMPF: VISITOR FROM PRUSSIA

A somewhat different variant of protectionism was developed by a man who collaborated with Potter on his textbook. He was a young Prussian with a doctor's degree from Göttingen, J. Louis Tellkampf (1808–1876).[9] One year he appeared in the Union College catalogue as lecturer in civil law, philosophy of law, and political economy, and the next as professor of German language and literature and lecturer in civil polity and history. At the same time he wrote on the codification of law, and especially on American penitentiaries, a topic that appears to have been of great interest to almost every respectable visiting foreigner during the period.

In 1843, when Columbia College received an endowment for a professorship of German language and literature, Tellkampf, with the aid of Seward, was chosen for the position.[10] Before he started teaching he went to Germany on a few months' leave. In Prussia there was some talk of making him professor of political economy at the University of Berlin because the Prussian authorities considered him indispensable for executing its projects for penitentiaries.[11] But while the matter dangled he thought it advisable not to endanger his Columbia post by overstaying his leave. His teaching of German was so deadly that the trustees seriously considered returning the endowment to the donor.[12] In 1846, when the King of Prussia commissioned Tellkampf to study the prisons of the United States, England, and France, he left Columbia, and eventually became a member of the Reichstag, of the Prussian House of Peers, and professor of political science in the University of Breslau. Thus Tellkampf's writings, especially in the period between publication of the Potter textbook and his final departure, should be viewed as the product of a Prussian on a temporary visit to the United States.

In 1841 and 1842 he informed the American public that the German states in the *Zollverein* were opposed to protection for agriculture

in general. This policy, he added, benefited American breadstuffs, tobacco, and other agricultural exports. The intention of the German tariff system was to give employment in manufactures to its surplus capital and population, lest they migrate. But the United States, he thought, should protect only those manufacturing industries which were "natural" to the country. These he found were the more coarse and heavy manufactures of cotton and iron, and not those which Germany could "naturally" produce for the American market.

Likewise in 1846 he approved very highly of the Democratic Administration's granting large subsidies for mail steamers between the United States and Bremen as leading to the growth of trade and commerce between the United States and Germany. At present, he argued, the English, by means of their monopoly of Atlantic steamers can get to the American market with the ever-changing, high-priced, fancy or fashionable goods before other nations glut the market. Thus the English get the monopoly profit, the merchants of the United States and other countries suffer the losses, and the American consumers pay more than if greater competition existed. Of course, the more the United States takes of these goods from Germany, the more Germany can purchase American agricultural products.

Furthermore, the direct steamship connection to the United States would increase migration to the United States of a great number of respectable and wealthy German farmers and mechanics. Their departure would be a serious loss to Germany, but by strengthening the basis of friendly intercourse between the two countries, closer commercial relations must result.

In any event, if the proper protective policy is to be effective, the banks must be stripped of the note-issue power. Otherwise the inevitable issues, by raising prices, would reduce exports and encourage imports. So in 1842 he urged the Tyler Administration to follow Prussia and issue a limited amount of paper in lieu of seeking a loan which would be backed by specie received from public land sales. Later, after the panic of 1847, and while a German professor, he outdid the Jacksonian hard-money group by arguing that the paper should be backed by a 100 per cent specie reserve, as Amasa Walker and other conservative New Englanders insisted.

At the same time he informed the American public that America, in view of her available fertile lands and the blessings of an agri-

cultural life, should avoid the vicious factory system by supporting tariffs for revenue only.[13]

## FRANCIS BOWEN: THE "OLD ROMAN"

Most cautious of all the cautious protectionists was Harvard's Francis Bowen (1811–1890), who adopted most of Rae's arguments but, like Alexander Everett, viewed Adam Smith as the great authority.

Bowen, like the general run of academicians, came of a family that was respectable though not wealthy. He had to meet expenses at an early age by teaching in the lower schools and clerking in a publishing house, but he managed to attend the best Boston private schools and finally Harvard. Here he was fed the classics, Paley, the Common Sense philosophers and their proper father, Locke, and of course Say along with Justice Story's conservative *Commentaries*. In 1833, after graduating in three years with highest honors, he taught mathematics for two years at fashionable Phillips Exeter Academy.

Then he held a tutorship at Harvard for four years, but for the last three he was also instructor in "Natural, Mental, and Moral Philosophy." After the customary year's travel and study abroad, he entered journalism. He became owner and editor of the powerful *North American Review* and for a while also directed the *American Almanac and Repository of Useful Knowledge* (1843–1847).

In 1850, when the Reverend Jared Sparks became president of Harvard, Bowen was appointed to Sparks's chair, the McLean professorship of ancient and modern history, which also included political economy and constitutional law. But this appointment lasted only one term because of the uproar Bowen caused with an article in the *North American Review* rejoicing at the suppression of Louis Kossuth's revolution in Hungary.

Unfortunately for Bowen, large numbers of highly respectable American citizens viewed Kossuth as following in the footsteps of Washington, and to add to his discomfiture they pointed out that Bowen had not even read the authorities he was supposedly using to support his arguments. Bowen answered that his opponents' criticisms constituted an attack on freedom of speech. The real source of the abuse, he said is a small clique of infidel socialists, mostly Eu-

ropean refugees in the large cities, who in their cheap newspapers "systematically pervert the truth of history" by "fierce denunciation and personal menace, the only weapons . . . left them, since the stiletto and the pistol have been wrested from their grasp." The attacks on him in highly respectable organs showed their success "in making converts to their daring falsities" among those who ought to be better informed.[14]

Though Harvard rescinded his appointment in 1851, two years later Bowen was given the Alford professorship of "Natural Religion, Moral Philosophy, and Civil Polity," which now included the evidences of natural and revealed religion, intellectual and moral philosophy, political economy, and the elements of constitutional history and law and forensics. Aptly called the "old Roman," he carried his conservatism to the point that, if he caught a student reading the "wrong" books, as for instance those of Auguste Comte, he would demand his dismissal.

Bowen had criticized the higher learning in the *North American Review*, but always from the standpoint of a conservative. The self-educated do more for scholarship and science than the college graduates, he wrote; but scholars and scientists depend for encouragement and support on a constituency of wealthy graduates with the liberal education of the classics. Thus Oxford and Cambridge create a cultivated taste, a fine appreciation of scholarship, and a regard for scientific pursuits, a nice sense of honor, and an attachment to existing institutions.[15]

Bowen was a sound Unitarian, in accord with Harvard's religious faith, and though not an ordained minister as a good college teacher of religion should be, still he more than made up for this deficiency by his numerous treatises and articles in the field. Works that even in the slightest might appear to him to threaten revelation in any field he constantly denounced as "speculative fancy" or, worse, as threatening the family, property, the state. Charles Darwin's doctrine of evolution he finally described as "too monstrous" to be entertained by competent thinkers.[16]

In philosophy he took as his guide the last of the great Common Sense philosophers, Sir William Hamilton, and of course any philosophical work, whether Kant or Bentham, which questioned the Common Sense philosophy fell under the ban as destroying stability and questioning revelation. Kantianism, he said, is a system of "philo-

sophical radicalism" serving as a "mere cover for an attack on all the principles of government and social order." [17]

The right kind of foreign works were those he translated—namely, De Tocqueville's *Democracy in America*, which attacked Jackson; and Georg Weber's *Outlines of Universal History from the Creation of the World to the Present Time*, which found unmistakable traces of an overruling Providence guiding the world and denounced the French Revolution and similar movements. Rousseau and his fellow philosophers of the French Revolution, said Bowen, were men of "corrupted moral sense." [18]

The "red republicans," Proudhon and Blanc, were "crack-brained theorists" attempting, by their national workshops, to feed a ragged army of desperadoes at the expense of the state. But the dictates of common sense and the laws of political economy could not be violated. Bankruptcy prevailed, the rich fled, and the poor were unemployed. True, pauperism was increasing in Europe, but this was the result of the people's intemperance and vice. The government is no more responsible for poverty than for disease and cannot directly relieve the distress except by measures encouraging private enterprise. The best refutation of socialism and communism is in an address by Marshal Bugeaud, when seeking the French presidency in 1848. It is "marked by the blunt consciousness and energy of a man accustomed to command." He believes that the bulk of mankind requires to be led.

In the United States the doctrines of the French proselytes threaten to do as much damage as the Jacobins did. In every community the poor secretly hate the rich, and in times of great political excitement under the influence of demagogues this mass becomes menacing. The educated and thoughtful portion of the community should join with the clergy to stave off the licentious infidel speculations with which Europe is flooding the country by spreading among the mass the great truths of political economy and civil polity.[19]

Bowen did his part by writing numerous articles on economics, primarily in the *North American Review*.

Economics, along with ethics, psychology, aesthetics, and politics, is a department of the general science of human nature, said Bowen. On the basis of "observation of consciousness" it reduces to general laws the habits and dispositions of men so far as they are manifested in money-getting. It begins with the supposition that man has

an unbounded desire to accumulate wealth beyond immediate want; that he is constantly competing with his fellows to gain wealth; and that he is sufficiently intelligent to engage in the most profitable enterprise so that the competition "regularly tends to bring wages, profits, and prices to a level."

These principles are in the nature of universal truisms, broad inductions of an obvious nature. To apply these principles to any country, the country's specific circumstances or institutions must be taken into account. Thus the abstract principles of classical economics will be true in any concrete case with certain allowances. The general doctrine of free trade is perfectly reconcilable with a policy of granting a reasonable amount of protection to the manufacturing interest. So, Bowen warned his fellow protectionists, Colton and Phillips, that they are unwise in attempting to cast aside the authority of Adam Smith and Ricardo. It is easier to show that the rule of freedom of trade has its limitations or is not applicable in all cases than to assert boldly that the principle is false.

Bowen's theory of value was John Rae's reproduction-cost or labor-saved theory. Thus the value of labor, chiefly mental, "is measured by the ordinary labour it saves" or by "the difficulty of finding a competent superintendent." Unfettered competition reduces gains to an equality. An apparent difference in the rate of profits is accounted for by the wage of the skilled manager or "entrepreneur."

True, men are selfish and ever seeking their own profit, but this is the way God has ordained that the welfare of all shall be achieved. Society is a complex and delicate device of God, and man cannot interfere with His government without marring it. This is a large induction, but its limitations are obvious. The office of the legislature is not to determine the road society shall follow, but to remove the impediments from the path which society instinctively chooses. Thus by tariffs the legislature opens the way to the functioning of the natural laws of society, and thereby such legislation comports with the great rule of *laissez faire*. It opens a road to industry and makes possible a larger liberty and enterprise. The legislature's action for the purpose is widely distinguished from establishing maximum prices and other obvious infringements of the *laissez-faire* principle.

The development of labor and enterprise—that is, the growth of capital—depends on the security of property, the encouragement of manufactures and concentrated population, high rate of profits, and social consideration to wealth. A law of natural justice assigns prop-

erty to its producer, for otherwise he would not produce it. Therefore the tendency to an unequal distribution of wealth is one of the laws of the production of wealth. A high rate of profits not only encourages enterprise, but also prevents the natural tendency of trade to monopoly and excessive inequality of wealth, for great capital can afford to take a smaller profit per unit.

In the United States the population is distinguished by the spirit of emulation, "the constant straining of the faculties in all classes in the pursuit of wealth—the restlessness, the feverish anxiety to get on." The explanation is to be found in some stimulus operating on the effective desire for accumulation. It lies in the fact that here, with equality of opportunity to acquire wealth, every individual can save, grow rich, and acquire a social position in proportion. This justifies an aristocracy of wealth not connected with birth, an exclusive control of the state by the propertied; for where the acquisition of wealth is open to all, the possession of riches is generally coupled with "sobriety, prudence, industry, good sense, and above all, a distrust of innovation and love of order." If the Constitution does not give them the power, it will naturally fall into their hands, for riches are only another name for power.

The effect of the acquired Anglo-Saxon institutions of toiling, daring, and saving, therefore "is to stimulate an energy and activity in the pursuit of wealth which accomplishes greater wonders than all the inventions of modern science." The eager pursuit of wealth and its rapid alternations renders academic in the United States those great and difficult questions that have troubled English economists—namely, whether great capital accumulations and improvements of labor-saving machinery may not result in productive power outrunning the community's ability and desire to consume. Can capital be accumulated beyond the possibility of employment? Can habits of frugality be so common that they would check rather than favor the increase of wealth? These can occur if there is great and unequal distribution of wealth. Under such circumstances, unless the wealthy spend in wanton gratification, the demand will stop short of the supply. Usually their expenditures are not sufficient to take up the slack. But equalize to a greater extent the distribution of wealth, and the retrenchment of unnecessary expense by the few is more than compensated by the enlarged expenditure of the multitude.

This equalization is achieved in America not by vicious agrarian schemes, but by the absence of the English institutions of entail and

primogeniture. The property of a father is divided among all his children, and the greater the number of heirs, the greater the possibility of equality. Thus to preach restraints on population growth, as the English economists do, would be to prevent the achievement of the equality established by nature as against that of theorists, an equality not of actual provision, but of opportunities.

In England, in contrast to the United States, an increase of population leads to lowering of wages because the laboring classes have only their wages. In the United States the bulk of the population are independent laborers. Besides, in England the mobility of labor is difficult because of the progress of improvement and consequent specialization.

Not the available land, but the wide diffusion of property and absence of castes is responsible for our high standard. In fact, our easy public land policy, by its dispersing tendency, accounts for the poverty of the western areas, since they have no manufactures and consequently no market for their produce. Thus the settlers are shiftless, ever-wandering, depraved squatters and backwoodsmen. But were the price of land raised, there would occur a concentration of population, the growth of cities and towns, which are the great agents of national opulence and the progress of civilization. Manufactures and cities develop the skills and enterprise of the people; the wages of labor, the price of agricultural produce, and rent all rise accordingly.

At present American labor is threatened by the tide of pauper Irish, but this, said Bowen, aside from a call for tightening the naturalization requirements, is merely another argument that labor can protect its standards only by insisting on a tariff to widen the field of employment.

Trade unions, he said, are defended on the ground that labor itself is a property right entitled to legal protection as other property, but the property right of labor consists in opportunity to turn to any occupation it prefers, not to check free opportunity. The principle, however, must be restricted in the case of the learned professions.

The modern limited liability corporations are also different, because they seek no exclusive privileges. They make it possible for small capitalists to compete successfully in large-scale production with great capitalists. They multiply in the United States since they accord with the genius of our democratic institutions. They have

even survived the necessity that originated them, for even great capitalists distribute their funds among several corporations. Since these corporations are really savings banks in which the laborer invests his savings and shares, and gains with the wealthy, the common prejudice against corporations is unwarranted. By returns from his shares the laborer easily becomes an independent tradesman, and he "who began life as a common labourer often drives about in his own carriage before the close."

The banks cannot be blamed for the commercial crisis which occurs about every ten years, for banks are merely passive instruments of trade. Crises might be alleviated by a banker's bank which in emergency would lend to any solvent person at the joint risk of all the banks. However, a commercial crisis does some good, for it destroys sufficient capital to prevent the tendency of a fall of profits as the field for fixed investment becomes saturated.

The small notes might be abolished. They constitute the profits of the country banks, but at the cost of the nation, since they deprive the community of a specie currency in its ordinary transactions, and coinage is a prerequisite of the community.

Bowen's most significant monetary discussion was his support of the demand for an exclusive gold standard shortly after the great gold discoveries. He started off by saying that the depreciation of gold is no reason for increasing the content of the gold dollar, as the critics of the legislation demand; for this would violate the constitutional prohibition of impairment of contracts. A debtor no more insures the future value of the dollar which he promises to pay than the grain dealer insures the future price of a cargo of goods which he sells before it arrives in port. The contingency of a rise or fall in the value of the article is what the buyer knowingly takes upon himself.

But even aside from equity, the retention of the present gold content of the dollar would be expedient just because it would constitute a depreciation of the value of money. For this reason, if for no other, Congress ought not to be the first legislative body in the world to attempt to resist the great change which Providence is gradually bringing about through the agency of "natural causes." The very argument of the silverites (which included Colwell at the time) that gold should be revalued or demonetized because it has depreciated, is the very argument that favors gold. To make silver the future measure of value is to prevent the great decline in the value of money which everyone sees impending. Such a depreciation is natural, aris-

ing as it does from the increased supply of gold. It is radically different from the artificial depreciation of government inconvertible paper because the latter cannot be permanently retained. The depreciation of the value of gold is occurring so slowly that it does not consciously upset calculations, as does the excessive issue of government paper. The resulting high prices from the depreciation of the value of gold would benefit the government by increasing its taxing power and enabling it to pay the debt more cheaply. Business enterprise would be the great gainer, since business would be encouraged by increased bank facilities, high prices, and reduction of its debts. The only sufferers would be the holders of long-term fixed investments. But these, being an idle, wealthy class, are better able to bear the cost rather than the business community.

Like Thomas Cooper, Bowen strongly urged that government provide better statistics, but his viewpoint was that of a publisher of almanacs. He criticized the authorities of the census of 1840 for having even attempted to ascertain "the aggregate value and produce of the mines, agriculture, commerce and manufactures of the country." No European government has attempted this, for the obvious reason that it is impossible to get accurate information. Should, however, a writer using statistics arrive at conclusions differing from Bowen's, he was quick to denounce the culprit for denying the "testimony of consciousness" and then went on to denounce statistics. The "attempts to discover laws of nature through the rude approximations of statistics, employing numbers enormously large, and manipulating them by the method of averages and the doctrine of probabilities," Bowen wrote in 1861, "is a procedure that can hardly be dignified with the name of science." As a matter of fact, the primary theoretical use of statistics to Bowen was to support the "qualifications" of freedom of trade.

In any event, the truth of the propositions of economics are beyond the test of prediction, said Bowen. Economics explains how a thing occurs, not when it will occur. It is a science, not an art. The meteorologist can tell how a storm occurs but cannot predict the weather like an old sea captain who never read a book on meteorology. So after one of those storms in the commercial world which are known as "commercial crises," we can explain its causes, although we shall not be able to predict a future one.

Bowen, of course, could praise conservative writers who appeared to have radical theses. So he praised the Swiss economist, J. C. L.

Simonde de Sismondi, for his "conservative" doctrine of "general overproduction"; but he thought that Sismondi erroneously attributed the phenomenon to labor-saving machinery in manufactures. On the contrary, as Colwell argued, it is caused by the policy of the large feudal English landlords who think they will reap a greater net product by employing fewer hands. The dispossessed peasantry are driven into manufactures, and the glut of manufactures is increased by the very causes which diminish the supply of food. In turn, America is constantly threatened by this "overproduction" of English manufactures.

Bowen thought so highly of John Stuart Mill's book when it first appeared in 1848 that, except for its size, he said, it would be the ideal textbook to replace the "antiquated" Say treatise. A most valuable portion of his book, said Bowen, is the "decisive refutation" of the Saint-Simonians, the Fourierites, the Communists, and other half-insane speculators who have reduced France to misery and have found too many proselytes even on this side of the Atlantic. Bowen quickly showed that Mill, in questioning land ownership, really had in mind the case of absenteeism in Ireland, and his suggestions for limiting bequest by law were necessarily vague and would burden the state with a multitude of details beyond its ability.

The only serious blemish in Mill's treatise, Bowen continued, is the acceptance of the Malthusian doctrine that the laborers can raise their wages if they are more prudent about marriage. But this defect in the book is more than matched by his magnificent exposition of Tooke's theory that bank notes, bills, or checks do not act on prices and are not the cause of commercial crises.

The proper inductive economist was still Adam Smith, and Bowen was sure that if Smith were still living he would have more objections to free trade than he presented in *The Wealth of Nations.* So when Bowen began to teach at Harvard in 1853, he first substituted for Wayland's textbook McCulloch's edition of Adam Smith, then he used McCulloch's own simplified treatise, and finally in 1856 he was ready with his own book, *The Principles of Political Economy Applied to the Condition, the Resources and the Institutions of the American People.* It was composed primarily of previously published articles.[20] He dedicated it to Calhoun's friend, the "Cotton Whig" Nathan Appleton, "one of the most eminent living representatives of a highly honoured class, the merchant princes of Boston." Outside of Harvard, the only important institutions that used

Bowen's text were the University of Pennsylvania after Vethake left in 1859, and Episcopalian Trinity College after Colton died.

The average teacher, even if he were a protectionist and could overlook the many inconsistencies, could not be sure that his students might not get "wrong" notions from a treatise that took the most radical ideas and converted them subtly into the most conservative propositions. The conservative Richard Hildreth, who in comparison to Bowen was a flaming radical, had at an earlier period become so exasperated over the ambiguous methods of the "squire of Cambridge" that in a public letter he characterized Bowen as "a coward, a sycophant, a hypocrite, a liar." More significant was Hildreth's placing the Catholic free-trader Brownson and the Unitarian protectionist Bowen in the same category of arch-reactionaries.[21]

## CHAPTER XXXI

# The Dominant Carolinian Contingent

IN THE North, on the eve of the Civil War, a college president could praise Adam Smith, John Stuart Mill, and Henry Carey at the same time.[1]

In the South much the same state of affairs was current, except for the complications raised by the issue of slavery. The southern economists, however, were somewhat more vigorous in asserting "the true principles." They were less inclined to argue in terms of theology, but took the more direct stand of "utility" as seen from the viewpoint of the dominant interests. There were fewer theologians among them and more lawyers and journalists.

### THE FINAL CONVERSION OF THOMAS COOPER

South Carolina was still the spearhead. Thomas Cooper continued to denounce the protective tariff. In the same class with the "restrictive system" were the plans of "mediocrity and equality" of the "republican mechanics" and their allies—Byllesby, Skidmore, Wright, and Robert Dale Owen.

Equality is denied by nature and is beyond the control of human

institutions and society, Cooper thundered. Therefore the poor must submit patiently to that which cannot be avoided. The laborer, even though starving, has no complaint because the capitalist is not responsible for his birth or his employment. The laborer has the power to accept the capitalist's conditions as established by voluntary contract or go elsewhere as suits his benefit.

The alternative to contract is force. Should the laborer resort to this weapon to seize the instruments of production, then "if I were a capitalist I should say we will fight if you please." Cooper said that in view of the agitation and political importance of the workingman, "it is high time for those who have property to lose, and families to protect, to combine in self-defence." He warned the workingmen that they are mistaken if "they suppose the wealthy will not find the means as well as the inclination to defend their property against the attacks of ignorance and injustice."

The radicals, both abolitionists and labor agitators, should stop citing the Declaration of Independence. Jefferson was an able man, but the talk about natural rights is foolish. Still, Cooper's break with Jefferson was really in form, not in spirit. As a good Benthamite he substituted the word "utility" for natural "rights" most of the time.

Rights are the creation of society. They are social rights sanctioned by society for the common good, in the sense of aiding and protecting the accumulation of property. The infant, for instance, can hardly be said to possess the natural right to a subsistence. "Suppose an infant has a right to his porridge," asked Cooper. If an older brother insists on taking it, can the infant not alienate it in order to avoid a beating? In the same way the black saves himself by becoming a slave.

Among those inalienable rights vociferously asserted is the right of universal suffrage. The propertyless claim that without the suffrage they are slaves. Still, if society does not sanction the right, they can do nothing but accept society's terms or leave it. The country belongs to the landed proprietors, and the laboring class are mere sojourners, suffered to remain so long as they obey the conditions imposed for the common good. Is any man permitted to vote in the management of the affairs of a joint stock company who is not a stockholder at all? Cooper demanded. The votes of employees would either be dictated by their masters and thereby increase the strength of the rich and powerful at the expense of the middling classes, or, following the example of the plundering protectionists, they would

legislate the property of the wealthy into the pockets of the idle and needy.

However, he felt that universal suffrage and instructed representatives were inevitable. The only solvent would be universal free education pressed on the people in the form of charity schools, provided the voters would allow greater funds to be devoted to the colleges. Under free elementary education, he argued, the mistaken and ignorant people who entertain the fallacies being propagated by labor agitators would learn that the institutions of political society are designed to protect property, that equality today would be inequality tomorrow, that labor is of itself nearly useless and can only be brought into action by wealth and capital, and that high incomes justly go to men of superior talent and capacity. He prepared an abridged edition of his textbook under the title of *A Manual of Political Economy* succinctly presenting these truths.[2]

To his old defenses of slavery, Cooper now added his denunciation of natural rights and the familiar charge that a worse peonage existed in the North and in England. Though Cooper was such a fervent believer in free speech as the great agent of advance that he appended an essay on the subject to his economics treatise, he declared that if Congress insisted on discussing the issue, the southern members should retire and declare the Union dissolved.

Cooper naturally found that Jackson's opposition to the renewal of the charter of the Bank of the United States not only showed ignorance of sound economics, but was also an example of the evil of centralization. Determined to write for the press on the question, he asked Nicholas Biddle for "any facts or suggestions that you would be willing to communicate to me confidentially in aid of my design." [3]

In a series of newspaper articles Cooper, like Raguet, denounced the supporters of Jackson's policy as Federalists and monopolists and declared that Jackson was aiming to establish a despotism through a moneyed aristocracy. Indeed, "the Republic of the United States is now in substance a Russian autocracy." To the charge that the bank had corrupted the press, Cooper replied that the bank's payments for publications, like its fees to lawyers, were necessary to protect the stockholders.[4] In fact, Biddle would have been not so much an imbecile as a traitor to his trust if he had failed in this duty. "If he did not pay the presses that gave circulation to his defences, he ought

to have paid them, for they subsist on such remuneration." Biddle was so pleased with the essays that he sent Cooper funds to publish them in pamphlet form.[5]

The critics of the bank were quick to throw back at Cooper some of his old objections to the bank. Cooper complained to Biddle, "Many people here think I abandon my principles; but I do not write for popularity, but for what is just and true under the circumstances." [6]

Cooper's efforts proved unavailing against Jackson, but with the election of Van Buren, Cooper engaged in a series of maneuvers that would have done credit to the most astute politician. Hardly had Van Buren been inaugurated than Cooper, in an anonymous article in Cardozo's *Southern Patriot*, called on the South to give "fair play" to Van Buren.[7]

The Administration was interested enough to ask Cardozo for the author's name. Cardozo gladly obliged and added that he hoped to have Cooper write more for his paper.[8] Cooper was soon writing one letter after another to the President and his cabinet advisers on how to conduct national affairs if the Administration hoped to be re-elected; he was especially insistent on the need of revoking the specie circular and the other Jackson measures.[9]

While he was doing this, the seventy-nine-year-old economist wrote Biddle, "The tide is turning strongly against the measures of the last and present Administration." The poor as well as the rich now groan under the financial follies of General Jackson. "At this moment your judicious conduct has placed you prominent as a wise and temperate man, and a public benefactor. You can go on pursuing cautiously the same course of conduct, and earning on all hands golden opinions. Why not look to the Presidency?" Biddle was immensely pleased with the possibility and readily accepted Cooper's offer to act as his unofficial campaign manager.[10]

Later it began to dawn on Cooper that Biddle had no chance for the presidency in 1840. So he suggested to Biddle that he join forces with Clay, of all people. Then, with the victory of Clay, Biddle would become his Secretary of the Treasury and in that way become heir apparent. Just before his death in 1839 Cooper wrote Biddle a letter describing his financial straits and asking assistance in obtaining a loan.

### LOUISA C. MC CORD: THE HARRIET MARTINEAU OF THE SOUTH

There was no lack of disciples to carry on in Cooper's strident manner against whatever seemed to be threatening the dominant southern conception of *laissez faire*.

Most notable was the wife of Cooper's associate and partisan, Colonel David McCord. Louisa C. McCord (1810–1879) had all the advantages of wealth.[11] Her father, Langdon Cheves, was a wealthy planter and second president of the second Bank of the United States. She was educated in a northern finishing school. She was, as one literary critic remarked, one of the "few women who have undertaken to write on the difficult subject of political economy." [12] Like Cooper, she insisted that only the propagation of the great simple truths of political economy—*laissez faire*—among the ignorant mass could save the country from revolution. To this end in 1848 she published under the title of *Sophisms of the Protective Policy* the first translation of Bastiat's, *Sophismes économiques* and through the columns of the *Southern Quarterly Review* made available that author's attacks on Proudhon's banking scheme, Louis Blanc's national workshops, and the revolutionary motto of "liberty, equality, and fraternity."

In an article called "Justice and Fraternity," she wrote that America was now being deeply infected with the French communistic doctrines, thanks to Greeley and his fellow socialists. "That terrible fallacy compacted in the words 'the right to labour,' " is rapidly making its mischief felt. " 'The right of man to labour, and of land whereon to labour,' in the words of the *New York Tribune*, what is it, as our communists interpret it, but the right to rob?" [13]

She traced abolitionism, socialism, and women's rights to Jefferson's error in holding that all men are created equal. Mr. Jefferson was a great man, but his "great humbug flourish of 'free and equal' has made trouble enough, and it is full time its mischievous influence should end."

She devoted most of her literary talents to the defense of slavery as an absolute blessing. Even in a play that she wrote, *Caius Gracchus: A Tragedy*, she has that Roman "agrarian" say:

> Man has in every station, rights his due.
> Our slaves look to their masters for support.
> The very claims we hold upon their labour

Make us a rule to tender them again
What comforts we can furnish to their lot.
If placed by circumstance, necessity,
Beneath our rule, protection thence we owe,
And he evading basely these, degrades
Himself below the thus degraded slave.

She lumped abolitionists with protectionists and reformers as communists. The *de facto* white slavery of England and the North was a curse. Starvation and deprivation of what little property he might acquire were the lot of the northern freemen; and the wretchedness of the English wage slaves made them fit material for communism. The acknowledged slavery of the South made the master responsible. Those who favored emancipation were at best silly sentimentalists, ignorant of political economy and its central doctrine of *laissez-faire*, "God's glorious providence." If slavery were left to itself without the intermeddling of abolitionists, it would rapidly develop the higher features man's character would dictate. The system had already cleansed itself of the crude vestiges of conquest; the masters had begun to mingle with it the grace and amenities of the highest Christian civilization. Besides, only slaves could produce cotton, and if the cotton crop failed the North and England would find themselves ruined.

The slave was inferior and would not only be unhappy with liberty, but he would be destroyed—as the example of the Indians showed all too clearly to be the destiny of inferior races. Just as women accepted an inferior legal position to men in return for protection against the physical strength of men, so the Negro accepted slavery to avoid extinction. Thus by the standard of the greatest good for the greatest number, there was no system of government in all history which equaled the beneficence of the government of slavery.

She also denounced those northern writers who justified the institution as a necessary evil bound eventually to disappear of itself. Thus she attacked Henry Carey for being really an abolitionist as well as a protectionist. "We defend our system and he who attacks it, attacks us. We are no tools in the hands of any men; no infants in law to lay our sins on other men's consciences. We know what we do, and do it deliberately exercising as full a power of volition as Mr. Carey or any other individual in the land." [14]

She, too, felt that if the national Administration proved false to its duty of protecting slavery, the South must stand ready to secede.

### WILLIAM GREGG: OUTRIGHT PROTECTIONIST

But there were also in South Carolina, as elsewhere, thinkers who espoused Henry Carey's protectionism and also defended slavery in the later period. The leader was William Gregg (1800–1867), Charleston promoter and politician.[15]

Gregg was originally a jeweler in the capital of the state, Columbia, where he acquired considerable wealth. In 1838 he moved to Charleston, and his firm became one of the outstanding concerns. It was primarily an importing house, and later it also became an agent of the Hartford Fire Insurance Company of Hartford, Connecticut.[16] Gregg, while still an importing jeweler, became deeply interested in textile factories and other businesses. In 1843, with a brother-in-law, General James Jones, he came into full possession of a textile factory.

Gregg had ambitions to extend his operations both in South Carolina and in neighboring states. However, South Carolina had no general incorporation act, even for manufactures. The following year Gregg wrote a series of articles in the influential *Charleston Courier*, then had them brought out as a pamphlet called *Essays on Domestic Industry; or An Inquiry into the Expediency Establishing Cotton Manufactures* (1845). This he quickly followed with *An Inquiry Into the Expediency of Granting Charters of Incorporation for Manufacturing Purposes in South Carolina*, signed "One of the People" (1845). He declared in his writings that South Carolina's enterprising planters and her slaves were being drained to the West, and its mercantile capital was being drained to build manufacturing towns in the North. The West is taking the bread out of our mouths, he cried, while Georgia and North Carolina are making great strides in developing manufactures. Furthermore, South Carolina and other southern states should encourage manufactures not only to prepare for secession, but also to visit retribution on the North for its protectionist policy by flooding its markets with southern manufactures.

The country is destined eventually to export manufactures on a large scale. Of the great importance of manufactures in the busy world of trade of the great northern cities, a southern visitor can have little appreciation if he confines his walks to the fine streets. To ob-

tain knowledge on these matters, he should go to the "garrets and cellars, into the by-ways and alleys where he will find thousands of native-born Americans as well as foreigners" from all parts of the world engaged in the various manufactures.

The South as a manufacturing area has tremendous economic advantages over the North, not only in materials, but also in a cheap labor supply. Like the North, it has a large supply of women and children, but no restrictions to limit their full utilization as in the North. Thus in Massachusetts children under fourteen cannot be hired unless the employer produces a certificate stating that the child has been at school three months of the year.

The greatest advantage is in the supply of slaves, who are more amenable as well as cheaper than northern labor. In the North the teaching of new hands and the constant turnover of labor are severely felt evils; and in the summer season, when it is desirable to ramble in the country, many eastern factories are partially idle for lack of hands. But in the South we would have the uninterrupted services of the blacks from infancy.

Existing restrictions on the use of steam power should be removed, as has been done elsewhere. Every man has his redress, Gregg said, in the common law for actual nuisances.

Southern planters would find nothing degrading in taking charge of plants. None of the great Boston merchants who successfully embarked on manufactures in Massachusetts have ever been practical manufacturers—that is, directly in contact with the machinery. This is true even of the general agents or overseers for the plants. Six out of ten are lawyers, and they live in fine houses and have fine offices. Like the cotton planter, they dress in the finest fashion, wear silk gloves, keep their hands in their pockets as they oversee operatives, and never engage in the manual operations. Those investing in the enterprise would be engaging in philanthropic and Christian activity by employing the children of the indolent and thus educating them.

Of course, the familiar arguments for incorporation had to be set forth by Gregg. If the state shuts the door to associated capital and relies on individual exertion, the state will grow poorer and capital will depart to the more fertile West. Few individuals in the state here will invest $100,000 or more in untried pursuits, and it would be unwise for an individual to put the whole of a large fortune into a single manufacturing concern. Finally, the limited liability corporation is democratic in its tendency and prevents oppression of the

poor because of the widespread ownership of the stock, including operatives, and the greater guarantee of competition when enterprise is not restricted to the few rich.

At the same time, the Gregg group, with substantially similar arguments, was also seeking a charter from Georgia. This failed, but the South Carolina application for the Graniteville Manufacturing Company succeeded. Gregg established what has been called a "benevolent feudalism" at Graniteville, South Carolina, with discipline as rigorous in the company town as in any northern mill town.

His concerns prospered, and Gregg became such an ardent protectionist—for certain items only in practice—that he urged Senator James H. Hammond to adopt Henry C. Carey's views. A tariff, he said, is simply a bounty to stimulate capital to produce enough to make goods cheaper than the price for which they can be imported. The whole history of protective tariffs proves it. Only by a protective tariff can capital be attracted to develop the great iron and coal resources of the South as well as the North.

Protection has developed southern mills and provided a market for cotton. With the foundation already laid, the business will grow until a mighty structure is reared and then we "may look for manufacturing Princes among us, such as they have in England." [17]

But for Gregg, as for all the others, the ultimate objective was commercial power. To be politically independent of the free states, he wrote on the eve of the Civil War, we must also make ourselves commercially independent, "for commerce holds the scepter that rules the world." Even the despotic Czar of Russia has been forced to introduce manufactures, railroads, and all the appliances necessary to an extended concern with the world. "No nation in modern times has become commercial without manufactures. . . . To be independent we must be our own merchants. Let us resolve to patronize no merchant who refuses his aid in building up our own distributing cities in the South," especially Charleston.[18]

### JACOB NUÑEZ CARDOZO: SOUTHERN LOCO-FOCO

The South's ablest thinker, Cardozo, was at first in some difficulties because of his stand on the tariff. While he sturdily denounced the Tariff of Abominations of 1828 as iniquitous, he opposed the "nullification" party and threw his support to Legaré's "Unionist" branch of the Democratic Party. Thus in 1830, after making an elaborate "sta-

tistical and theoretical" analysis of the great injury done the South by the tariff, he still insisted that the tariff system was a lesser evil than a separation of the states. "We should prefer making a large sacrifice even to the odious spirit of monopoly, sooner than break up and scatter, never to be reunited, the elements of the glorious scheme of Republican Federative government." With the Union dissolved, the sense of security would go, property values would fall, and capital would migrate.

He criticized the extremists for attributing the state's economic ills to the tariff exclusively. Somewhat inconsistently with his earlier anti-Ricardian views, he now argued that the primary cause of the state's poverty was the virgin, more fertile lands of the West, including the Southwest, which was draining capital and labor from the sterile and ruinously exhausted soil of the lower southern coast of the state.

Another factor was absenteeism, of which Cooper and George Tucker, along with Cardozo, had already complained. They meant the expenditure of southern incomes in the North. Absenteeism, wrote Cardozo, separates the possessors of income from those whose labor contributes to that income. Unless there is a reflux of income in expenditure, the source of individual wealth must soon be exhausted. Thus southern incomes are used by absentee southerners or by the beneficiaries of the "balance of debt" to fertilize the North. A final factor was the continuance of "a style of living and scale of general expense beyond a proper standard of expenditure, in reference to that reduction of income" which has been world-wide in the process of readjustment to the dislocation produced by the wars.[19]

The nullifiers, the "State Rights and Free Trade Party," showed their appreciation of Cardozo's arguments by starting an evening newspaper to compete with his *Southern Patriot*.

But the competing paper did not last long. Cardozo so easily adjusted himself to exigencies that, with the aid of Webster's opponent in the great debate over nullification, Senator Robert Y. Hayne, he obtained "relief" legislation on a debt he owed the government. According to the favorable committee reports of both Senate and House, Cardozo had purchased the *Southern Patriot* in 1823 for $20,000, the sum for which the government held a lien on the paper. "The purchase was made in long credits and the press was mortgaged for the payment." But Cardozo had paid this high price, so the reports said, on the assumption that the paper would continue to have the

public printing from which it derived a "portion of its income and popularity." But when the John Quincy Adams Administration came in, Secretary of State Clay, unaware that the "whole amount of printing was regularly paid over to the United States on account of the debt," transferred the printing to another paper. Consequently Cardozo could not meet the terms of the contract.

Congress agreed that Cardozo had made a bad bargain and passed a "bill for the relief of J. N. Cardozo," authorizing the Secretary of the Treasury to make such reductions of the debt and extensions of payment "as may in his opinion be consistent with equity and justice." President Jackson duly signed the bill in March 1831.[20]

With Van Buren's appointment of the South Carolina Unionist leader, Joel Poinsett, as Secretary of War in 1837, things began to look even more promising for Cardozo, at least personally. Poinsett was more than Van Buren's Secretary of War; he was also the President's economic adviser and negotiator on important financial measures. Cardozo's journal became Poinsett's mouthpiece.[21]

Cardozo, like Cooper, had supported the Bank of the United States against Jackson, and no sooner had Poinsett been appointed than Cardozo wrote him that the South felt that Jackson's currency measures had been detrimental to its commercial interests.[22]

The "commercial crisis" that ensued shortly after Van Buren's inauguration confronted the Administration with a complicated political as well as economic state of affairs. Until some specific policy could be worked out to meet the grave situation, the Administration's strategy was one of denying that Jackson's measures had in any significant way caused the depression, as the Whigs charged. But at the same time the door was left open for any changes that might be deemed expedient. To this strategy Cardozo gave support.

Just how an able mind operated under these circumstances, in the period between the beginning of the crisis and Van Buren's espousal of the sub-treasury, is seen in Cardozo's daily editorials. When he became conscious of the "commercial crisis" on April 3, he blamed it on overtrading and then went on to bemoan that the commercial community refused to learn from experience, especially from the crisis of 1825, that the mad scramble to get rich suddenly must bring general bankruptcy.

The only remedy lies in having British creditors, merchants, and manufacturers give solvent American debtors an extension of time so that they can collect from their own debtors. But British creditors

could only grant this indulgence if the Bank of England in turn were lenient. Whether the Bank of England could do so depended on the state of exchanges between England and the Continent, said Cardozo.

Recording the next day (April 4) that Biddle's Bank of the United States of Pennsylvania and New York banks planned to export some specie and arrange foreign loans against which to draw bills, Cardozo declared that their measures accorded with his proposals. The great object of a sound system of relief is to prevent the fall of prices below "their proper and natural level" to the ruin of solvent businessmen as well as of those guilty of overtrading, he said.

On the eighth he congratuated the Charleston banks for agreeing to curtail credits only slightly because the policy will immediately restore commercial confidence. As he pleaded for financial "relief" in his city, he became increasingly concerned over the danger of vicious "relief" measures in the western areas, especially in the Southwest. Their indebtedness inclines them to a general suspension of the law for the collection of debts, he said. It would destroy the credit of the larger importing houses on the Atlantic and of their European correspondents. Therefore men of influence must defend the credit of the country, the sacredness of moneyed engagements, and "the majesty of the law." Times like the present test whether our institutions have the strength to resist the popular attempts to interfere with the course of justice.

Quite in tune with this and serving as an attack on the Whig opposition was his accusation that the originating factor, or at least an aggravating factor, was the measure sponsored by Henry Clay and Daniel Webster to distribute the surplus revenue among the states. This unsound act, he said, drained specie from the eastern commercial centers and locked it up in inactive capital in the form of the construction of canals and other schemes of internal improvements.

As the crisis grew worse at the middle of the month, Cardozo emphasized the thesis that the Bank of England was responsible for America's plight. The great transfer of capital in previous years to the United States because of the high rate of interest excited the jealousy of the British government and the Bank of England. Their fears were aggravated by the great sums lent merchants through extensions of credit. But most important of all, the British government wanted to end the loss of its skilled manpower attracted by the high

profits in America. It was glad to get rid of its paupers, but it was losing the substantial middle class—farmers and skilled artisans who took their little capital to help extend the manufacturing system of a rival nation. It was losing, in other words, the most valuable part of its population, the "thews and sinews of British commercial and manufacturing power." So England sought to reverse the movement of capital and labor to the United States by forcing the fall of American produce through command of the credit resources.

When the Charleston banks, along with the banks in other commercial cities, suspended specie payments in May, Cardozo explained that the action was necessary to save those still solvent.

By May 23, with the banks under heavy fire as the source of the crisis, Cardozo returned to an explanation that completely absolved the banks as well as the government of any complicity. "Our theory" is that in periods of stagnation and excitement, alternating as they do with considerable regularity in the commercial affairs of countries, speculation is to be found almost invariably to precede an enlargement of the currency and its consequent depreciation.

The great "revulsion" had its origin in one of "those general and irresistible changes in human affairs which appear to follow in a cycle, alternating at periods irregular in duration, but powerful in action" in proportion as the previous stagnation is prolonged. Thus the issues of the banks resulted from an unavoidable sequence of circumstances and, except for foreign capital in the form of specie, they could not have satisfied that craving and overpowering demand for credit which was the sign of still more extensive changes and disturbances.

Government can do very little to relieve the distress. No national specie-paying bank could control the situation in the face of the unfavorable exchange. In fact, Biddle's bank aggravated the evils in seeking foreign funds. But government, he declared on June 26 in an editorial entitled "The Remedy," might issue treasury notes limited in amount to that absolutely necessary for the government expenditure and the wants of the merchants for the means of domestic remittances. If limited to this amount, they will not depreciate and may even command a premium. They need not even be convertible so long as they are just sufficient to fill the channels of circulation.[23]

At the same time, Cardozo ran a series of editorials that, in the fashion of the northern Loco-Focos, called for the simultaneous repeal

of the usury laws and for the "freedom of banking." There should be the utmost freedom in loaning capital, but the most stringent restrictions on loaning circulating credit, he wrote. Therefore banks of issue should be limited to the present chartered banks. If banks of deposit and discount are granted incorporation, they should be subject to double liability. Of course, unlimited liability would be desirable for all banks, but this is impractical because of the scarcity of capital compared to the demand.

But, he insisted, "we are not of the *Loco-Foco* school. We are not the advocates of *unlimited* liberty in banking." There should be free competition among banks of discount, but not of issue. The banks of issue would still be the great mercantile banks with their large deposits, but the banks of discount and deposit would gather up small amounts of idle money and make them available.

No legislative check against overbanking has succeeded. The effective check would be the competition of the numerous banks of deposit and discount between themselves and the banks of issue, with the latter related to the former as the Bank of England is to the joint stock banks.

The abolition of the usury laws would bring about the desirable increase of banks of deposit and discount. But he would be satisfied if the usury laws allowed variations in the rate of interest after consultation with the banks. Then the Bank of England's policy of checking overtrading by raising the discount rate could be achieved.[24]

In July a new factor was injected into the national situation. As the demand for a special "relief" session of Congress increased, Poinsett made a visit to his home state and informed Cardozo that the Administration planned to separate the government from the banks. But before the measures were to be laid before Congress, the Administration wished to prepare the public. It naturally preferred that this preliminary education be done by means of an "independent" newspaper some distance from Washington; republication in other newspapers, as was common in the day, would spread it. Cardozo set to work writing a lengthy series of editorials filled with erudite reasonings and statistical data in support of such "separation." He had one serious handicap, however: he did not know precisely what the Administration was prepared to do. But, then, the Administration itself was just as much in the dark. In any event, after Cardozo was in the middle of the series, he wrote hurriedly to Poinsett for specific information. Would the measure, for instance, take the form of "sub-

treasuries, or a government institution, through the use of treasury notes, drafts, or any other description of treasury paper?" [25]

When Van Buren finally announced to the special session of Congress his scheme of sub-treasury and treasury notes, Cardozo presented an ardent defense of the policy and charged critics with "abuse of words" in confounding credit and currency. A limit to credit is not found in the demand for it to improve our natural capacities, but in the extent of the foreign market; the limit to the currency is measured by the quantity of money put in circulation in other countries by which an equilibrium in prices and the relative value of money is maintained between the United States and the rest of the world.[26]

Cardozo naturally informed Poinsett of the great amount of "research" he had performed on the currency question, and of his early espousal in the South of the sub-treasury scheme at great risk to himself.[27] His reward included the return of government printing and a readjustment of his old debt.

After sub-treasury was definitely established, Cardozo presented the clear-cut position that the existing banks should not be seriously regulated as long as the system is one of convertible notes—"mixed currency." So in 1850 he wrote in the *Southern Quarterly Review* that no legislation was possible or desirable, except for what he called minor provisions such as convertibility of notes and the deposit of public stock as security for note issue: Unlimited liability and limited dividends are reprehensible. Published statements are no remedy, for their necessarily technical jargon is too often a medium of mystification and consequently no bar to mismanagement. The only seat of safe regulation is the bank parlor, as the only sound legislature is the body of prudent directors. Next to seeing that funds are lent to discreet borrowers, the coincidence between their average periods of payments in and out of banks is their grand secret of administration. No one thinks of regulating credit to prevent its undue extension when there is a plethora of capital, when the interest rate has greatly fallen, and the public is consequently disposed to engage in speculative purposes; so government should not interfere with a "mixed currency," for its flexibility to the influences of movement and pressure from without is its valuable characteristic.

Of course, Cardozo was aware that in other countries, notably in Holland and Scotland, the regulations he deemed impracticable in the United States seemed to work. Cardozo met the argument by an appeal to the historical method. The credit system of every country

is the outcome of the people's habits, which depend on position and circumstances. In a new country with an indefinite extent of territory the rate of profits and the spirit of enterprise are so great that any regulation of banks and their currency beyond convertibility and a guarantee fund for notes must be nugatory.[28] But apparently this "historical explanation" was not to be taken too seriously, for two years later he blithely stated that land in the cities is a virtual monopoly, and in a few years all the public lands will be distributed.[29] He said these things at the time to show that building and loan associations, which, like corporations, he felt represented the voluntary association of small capitals, would prevent agrarianism in the cities.

That the argument of "land monopoly," as well as the earlier opposite argument of available lands, was hardly consistent with his old theory of rent doubtless worried Cardozo little. The circumstances that had originally given rise to the theory had to a considerable extent disappeared. England had abolished the Corn Laws, the tariff had been reduced, and another reduction was soon to follow.

What was more, like Gregg, he was preaching through his newly established newspaper, the *Charleston Evening News*, that Charleston should enter manufacturing. The large surplus capital in the Charleston banks not earning more than 5 per cent should be diverted to industrial development. Such a transfer of money would increase the value of real estate. There is no real conflict between manufacturing pursuits and the doctrine of free trade, he declared in 1846. Southern coarse-cotton manufactures require no protection, and better grades could prosper on a revenue duty of 20 per cent. This tied up neatly with his early cry that the South should diversify its production and not rely solely on cotton planting. In fact, he was constantly complaining that cotton production was excessive. In 1845 he made an elaborate statistical survey of cotton production and consumption since 1800 to show that the growth of cotton was outstripping consumption.[30]

As things were prosperous for a while in 1856 and early in 1857, Cardozo thought he might be in error. He found his statistics needed correction. On the basis supposedly of his new tables, he argued that the growth of cotton has reached its maximum rate of production, while consumption has no assignable point of limitation but extends with the expansion of general commerce and the spread of civilization.[31]

Cardozo became so convinced of a continued rise in the price of

cotton that he discounted the threat of agricultural improvement by arguing now that such improvements would at best do no more than preserve the original fertility of the soil.[32] But in 1858, in the depression that set in after the panic of 1857, Cardozo returned to his old thesis. This concern with "excessive" cotton growth gave rise to one of the ablest discussions of "commercial crises."

The country, Cardozo wrote, is passing through one of those "commercial cycles" with which we are "destined to be visited about every decade." The cotton consumption, which greatly increased with the enlargement of productive powers, has again receded to the consumption of five years ago. Since the cotton trade is speculative in its nature, it participated largely in the delusive prosperity of the last decade. Since in no staple of commerce are there such large sums involved as in cotton, it is acutely affected by a financial revulsion.

The three general causes of the unparalleled extension and reaction in industry and business were: the increase of gold and the redistribution of both precious metals, the extension of credit, and, finally, the new application of steam and electricity.

An increase of specie will show its effect by a general rise of prices or the extension of the sphere of commercial transactions. Prices have not increased proportionally to the vast output from California and Australia, nor have the arts taken much of the specie. Therefore, as Tooke holds, the enlargement of trade and the increased exchanges have employed the large additions. It has stimulated enterprise and exertion both in Europe and the United States.

The combined effect of the great increase of moneyed capital has been a fall in the value of money as the antecedent of speculation. The history of all simple commercial revulsions presents the same originating cause. A plethora of moneyed capital compared with its remunerative employment led to overaction in trade. Thus the crisis of 1824–1825 in England was preceded by a stagnation of commerce accompanied by a superabundance of moneyed resources. The interest on money fell, speculation and overtrading followed. The result of boundless credit was collapse and almost general bankruptcy. The same phenomenon occurred in the recent revulsion throughout the financial centers of Europe.

All parts of the world open to such an influence have felt the effect of the great addition in specie in enlarging the limit of general commerce. In both Europe and the United States there was a heap-

ing up of obligations in all forms of credit. In England it took the form principally of commercial advances and investment in foreign securities. In the United States it was railroad, land, and mercantile speculation. On the Continent it assumed all the shapes of hazardous enterprise except land-jobbing. However, in no case was credit in the form of bank notes an important factor, rather it was the increase and misapplication of capital and deposits employed in banking. These constantly enlarged the ever-widening circle of credits created by corporate and individual obligations, which became infinitely multiplied in the form of checks, bills of exchange, promissory notes, and open book debts.

The change in commercial legislation further stimulated the speculative adventures. Such was the effect in England of abolishing the Corn Laws and modifying the Navigation Acts. In the United States the lowering of duties under the Tariff of 1856 excessively augmented importation. Thus the main proximate cause was excessive credit; but the underlying causes were free land, cheap money, inventive power, and extended intercourse. Of course, nothing could be done about these factors. But their existence always threatens further to increase cotton production over consumption. He did not suggest any alleviating measure, but when he got down to presenting estimates of cotton production and consumption in the United States and elsewhere, he did give a rather realistic analysis. It was bulwarked by statistical data and discussions of the physical factors in the production of cotton, and the financial factors in its consumption, and the discrepancies between the movement of prices of cotton manufactures and the raw material.[38]

At the same time, Cardozo continued to hail the advance of technology in agriculture, though he no longer maintained that it was as rapid as in manufactures. The relative slowness in applying mechanical invention to agriculture as compared to manufactures places agriculture at a great relative disadvantage. Chemical discovery has done most for agriculture; mechanical invention, for manufacturing. At one time it was imagined that there was some peculiarity in the processes by which food and raw materials are extracted from the soil which rendered agriculture incapable of the improvement that has extended to every other branch of industry.

This impression may soon be dissipated with the recent invention of the steam plow. Not until steam came to the aid of mechanics did people realize the possibilities of adapting human invention to

the wants of agriculture so as to augment greatly its productive powers, although not in the same rapidly progressive ratio as in manufactures. The triumphs of the steam plow are recorded in several English periodicals, and he cited from one that its cheapness, efficiency, and greater productiveness will lead to its adoption in the United States and Canada, where labor is dear. In England, "the sons of the soil," no longer driven to pauperism or to emigration, may join the busy town operatives in blessing the good genius of James Watt.[34]

### HENRY R. MIDDLETON: REFINER OF ORTHODOX DOCTRINES

Coming close to Cardozo in theoretical skill in the period, was Henry R. Middleton (1797–1876). He was a scion of one of the most eminent South Carolina families. He traveled and studied in Europe, graduated from West Point, and also studied law. He had an extensive theoretical and practical knowledge of commerce and banking. His first writings, in Raguet's *Free Trade Advocate* in 1829, defended free trade. Like Cardozo, he felt the case had to be based on a thorough-going presentation of the "science of political economy." His analysis of the principle of economics was a unique, and what Raguet called an "abstruse," variant, in that it ran in terms of "demand" and "utility."

A community profits from its industry, he said, not in proportion to the utility of the object produced, but to "the *difference* between the utility and cost." This difference "creates what, in the language of science, is called demand." The greater the difference, the more extensive the demand; and the greater the demand, the greater the supply, except where, "through the impertinent interference of knavish or ignorant legislators, natural causes are prevented from having free scope," and enjoyments and innocent gratifications must be purchased not at the moderate cost at which a bountiful nature set them, but at the exorbitant and unreasonable one at which rulers have estimated their value.

Demand depends upon a comparison between the utility of an object and the cost necessary to its attainment. Consequently it varies with every change either in its utility or in its cost. Demand therefore is the true expression of the wants and desires of a community, considered in connection with the sacrifice or consumption of value necessary to supply those wants. When a man offers his labor and

receives a remuneration, either in money or any other valuable commodity, the value he offers lies in the sacrifice of labor he is ready to make. This offer is not less a demand than if he had tendered some commodity having a value. So if a man gives his labor to fabricate some object which he cannot obtain as cheaply in any other way, he is sacrificing one value to obtain another; he creates both demand and supply; and so would everyone and of course the whole community if it were not found that the division of labor and employment augmented considerably the utility of the product. Just as we may desire an object and yet be unwilling to take the trouble or give the labor necessary to obtain it, so we may desire to possess it, but yet be unwilling to pay the necessary cost or value in the form of some other object. In such instances of inefficient demand, the necessary sacrifice is greater in our estimation than the object sought can compensate for.

Thus demand is the basis of all industry. "Industry is the sacrifice or consumption of value made, whether in the shape of labour, or of commodities the result of previous labour, to supply the demand; that is, to be exchanged for an equivalent offered; the effect of which equivalent constitutes the demand." Therefore the greater the demand, the greater the industry to supply it; the less the demand, the less the industry. "The value offered in demand, may for a short period exceed the value, that is, the *ordinary* value of the object in demand; on the very same principle upon which a man desiring . . . any . . . commodity upon a sudden emergency, willingly sacrifices to obtain it something of much greater value. If he could obtain it *at the moment* at its ordinary value, he would not give for it a greater one. . . . This continual tendency of the value offered in demand to rise above or to fall below the real or ordinary value of objects" directs industry into the most useful channels. The excess above the real value is always followed by additional production corresponding in real value to the increased demand. "This continual fluctuation of industry among different employments, according to the greater or less urgency of demand, . . . accommodates its efforts to the purposes or objects the most useful at the time, and prevents unnecessary expenditure or consumption of value in the production of what does not afford any adequate return."

Demand thus governs the employment of capital. Objects constituting capital differ from others, not in their nature, but in their use or manner of consumption. Thus, for instance, if diamonds pass

through the hands of the jeweler or trader, and are a source of profit to him, they are to him a portion of capital; but they cease to be capital the moment they come into the hands of the person using them for pleasure. The demand by the jeweler or trader, like that of the consumer, is regulated by a comparison between their utility to himself and their necessary cost. On the same principle, one mode or manner of applying industry may be said to be in greater demand than another. It is adopted because it is in demand; and it is in demand because it is the least disagreeable means of attaining the desired end of all industry.[35]

Middleton found the "demand" analysis very useful in answering any complaints of the food-producing West for more money as well as tariffs.

Specie, he said, flows to each country according to the amount of its effective demand; and this demand depends on the estimation or value set upon its products in the world markets and not on the actual labor these commodities cost. The less labor these products have cost, while their estimation or value in the markets of the world continues unchanged, the cheaper will be all foreign commodities, and among them gold and silver, which are universal commodities with which all others may be purchased. The same principle holds for the distribution of specie within a country. In the far West, for example, where the agricultural products are bulky and possess but little value in the world market as compared with the labor of their production, money will naturally be dear and scarce. A comparative cheapness of money, on the other hand, exists in the rice- and cotton-growing portions of South Carolina because these commodities have a comparatively high value in the world market in proportion to the labor of their production.

Rice and cotton are to Carolina what manufacture is to England; and the swamps and cotton lands and warm sun of the former stand in the same advantageous relation to her as skill, knowledge, and machinery do to England. So long, therefore, as rice and cotton continue to command in the world market a higher value in proportion to the labor of producing them than do the corn and cattle of the West, so long will the abundance of money and foreign commodities be greater in the countries which raise cotton and rice than in those depending for their income on corn, etc.

However, he would not, he said in his 1850 edition of his treatise on currency, overrate the advantage in regard to labor that the

cotton- and rice-growing states possess. If the slaves in the southern states, instead of receiving the low remuneration imposed by the compulsory system, were to receive the rates of a system of free labor, the master's profits would be greatly diminished. But even under the given free system, if no changes occur except in the distribution of the gross product, the income of the country or area would remain unchanged in amount, and consequently its money or currency, "supposing this to be, as it usually is, proportional to the former." [36]

When discussing slavery for its own sake, Middleton could quickly forget that, in arguing against tariffs, he had proclaimed that the interest of the working classes were to be paramount. Writing for English consumption in defense of the extension of slavery to the recently acquired territories in 1857, he found that the working class was doomed to slavery in any event. Slavery, he said, is validated upon the "great economical principle, that wherever there is much to be done, and little labour to do it with, and where consequently FREE labor is dear, it will always be advantageous to introduce any system of labour which enables the employer to regulate the wages of his workman, and dictate the conditions of his work." In northern and western states the increase of laborers and consequent reduction of wages made slavery unprofitable, and so it disappeared. It could only exist in the southern and southwestern states because there the climate and soil render Negro labor essential to industry; and the Negroes must be slaves if cultivation is to be profitable. In these states slavery is destined to continue, but in the disputed area of Kansas and the like, the northerners are raising an academic question in insisting that it be free, for its climate and soil render it unsuitable for permanent slavery even if their constitutions should allow it.[37]

## FRANCIS LIEBER: "NATIONALIST" FREE-TRADER

Cooper's successor at the University of South Carolina, Francis Lieber (1800–1872),[38] was one social scientist South Carolina came to regret she had ever sheltered. Lieber, like Tellkampf, was a Prussian. His youth had been stormy. After serving with General Gebhard von Blücher and being wounded at Waterloo, he entered a *gymnasium* in Berlin, going from there to the University of Berlin, where he became interested in movements that seemed treasonable at the time and place. Europe was then under the hegemony of Metternich and

Czar Alexander, after the Congress of Vienna, and the German student movements involved agitation for a more powerful unity than existed under the Metternich-controlled confederacy of princes. It was felt that no republic could achieve this, but only a strong leader. Like List, Lieber paid heavily for his enthusiasm for this kind of German nationalism. He was forbidden the institutions of higher learning; he was imprisoned more than once. He finally escaped and went to England in 1826.

Lieber, though only twenty-six, had by this time a sense of frustration from his varied experiences, which included service in the army, a trip to Greece, a year in Rome as tutor to the children of the historian and diplomat Barthold Georg Niebuhr, interrupted attempts to study at Jena, Halle, and Dresden. In England life continued to be precarious. He tutored in German and did a little writing for German magazines. Failing to obtain the newly established professorship of German at the University of London, he decided to come to Boston to take over a physical training institute run by Charles Follen, another German refugee.

The institute offered neither a satisfactory career nor a good living. He got his first real opportunity in a project to translate and adopt a popular German encyclopedia which was ultimately published as the *Encyclopædia Americana*. He convinced Henry Carey's firm of its possibilities and then turned to the immense task of obtaining American collaborators, translating hundreds of articles himself, and seeing the thirteen volumes through the press.

The work gave him excellent opportunities to become acquainted with leaders of respectable society, such men as Story, James Kent, Clay, Daniel Webster, Nicholas Biddle, Henry Wadsworth Longfellow, and Charles Sumner, then not under a cloud. Lieber neglected no means that might bring him an income and contacts, for as yet he had no permanent post. Aside from the encyclopedia, for which he himself prepared articles ranging from Kant to cooking, he wrote for German and French periodicals, translated books on prison reform, published his reminiscences of Niebuhr and a curious travel book called *Letters to a Gentleman in Germany*. He lectured, too, before such eminently worthy organizations as the Athenaeum and the Society for Useful Knowledge.

When Gallatin invited a group of savants to discuss the establishment of a university on the European model, Lieber was asked to represent the German point of view. He hoped it might lead to some-

thing, but only a few lectures in history resulted. He even began to study for the bar. But in the meantime he made a powerful contact in Nicholas Biddle, who got Lieber a commission to prepare a scheme for the organization of Girard College, a task which Lieber characteristically turned into a treatise of over two hundred pages.[39] Biddle also helped Lieber get a permanent post in South Carolina College in 1835 as Cooper's successor as professor of political economy and history.

The time, it must be remembered, was during the emergence of the Whig Party, and Lieber had conducted himself in a manner that eminently satisfied good Whigs in the North and South who hailed the Bank of the United States as a victim of Jackson's despotism.

On slavery he had been eminently respectable. In his *Letters to a Gentleman in Germany* he had written that in the abstract the institution was vicious; it was against the spirit of the times. But it did exist, and emancipation was the foolish solution of violent and impractical people. They did not realize that freedom would lead to social equality and even to intermarriage, consequences which would conflict with the congenital dislike of whites for blacks. This might be prejudice, but it was founded on human nature. Above all, the consideration of the purity of the superior race in civilization must be kept in mind. History has shown that wherever whites appear, they become masters because they assemble all the good qualities which are scattered among the other races—such qualities as intelligence, sociability, activity, instinct for property, and elevation of mind. But this is not a bar to solution. It simply indicates that exportation to Africa or a remote section of the American continent would be necessary.

Of course, Congress can do nothing about slavery, for it is solely within the discretion of the state legislatures, "those true foundations of our liberty without which it would not have been possible even to preserve her appearance." This does not mean local democracy, he said; and certainly it does not mean that going institutions like the bank could be put out of existence by the people's will. But reliance on the people's will means continual change, and continual change, undermines society even to its basic principles of morality and the pursuit of knowledge. It prevents "the firm adherence to right and law" from rooting as it should. Fortunately, he said, people here can live under law rather than under contract. The trouble with a political system avowedly contractual is that one party inevitably re-

sorts to force, overthrows the other, and institutes a system of absolutism—and this is worse in a democracy than in a monarchy, since a monarchy can at least guarantee stability which "democratic absolutism" cannot.

However, hardly had he got to his post than he was charged with being as obnoxious on religion as Cooper. The only evidence was his acceptance in the plan he had devised for Girard College of Stephen Girard's provision barring ecclesiastics from any part of the enterprise. But this flimsy evidence was more than balanced by his statement in the same document that religion was the only safe foundation for morals and that there could be no true education without religious instruction; besides, he was also a member in good standing of the Episcopal Church. He always felt that his foreign birth was the real cause of his difficulties and of his inability to get away from the country town of Columbia and occupy an important position in the government of some great city.

He supported the established curriculum. He once protested against a proposal to abolish the teaching of the Evidences of Christianity at South Carolina. The Bible, he said, reveals the great creative forces of modern culture; most important, it shows the superior moral value of individual responsibility. In his inaugural he spoke of history as "practical morals" and pointed out its importance to the sons of republicans who, in the future, must guide the nation. Nations must develop gradually out of their past culture, and although the old-fashioned doctrine of absolutely no change is untenable, still, no such radical overturn as was attempted by the French Revolution is feasible. Ambition is one of man's noblest attributes. Young people should be taught not to abuse it; moderation ought to be gained by self-discipline rather than by law.[40]

Lieber taught political economy from Say's text and argued that the subject teaches how ideal is "the natural, simple and uninterrupted state of things in which man is allowed to apply his means as best he thinks." His orthodoxy on free trade could never be questioned: he wrote the introduction to Mrs. McCord's translation of Bastiat.[41]

Lieber's writings during his South Carolina residence ranged from translating a dictionary of Latin synonyms to a monograph on the blind deaf-mute, Laura Bridgeman. But gradually he began to concentrate on law and politics. Of these, it can still be said, as James Kent remarked to Lieber, "you are so sound and conservative. You are . . . a very safe writer." [42]

His first great effort, the two-volume *Manual of Political Ethics*, which appeared in 1838–1839, was one of the most comprehensive defenses of the rights of property, including especially corporations, that had as yet appeared. "Man yearns," wrote Lieber, "to see his individuality represented and reflected in the acts of his exertions—in property." Consequently these rights must be thoroughly protected and involve exclusive control, even if it means abuse, as in the instance of foolishly spent funds.

Anything less than this full protection would so endanger the steady and moderate pursuit of gain as to engender idleness, immorality, and "unfitness for substantial liberty." Property existed before society and the state did, and they merely confirm primordial claims. The original and fundamental nature of property created also the defense for unrestricted exchange, accumulation, and bequest. These, indeed, have become the sign of man's superiority over brutes, and of Western man over the Asiatic.

Property, since it is not exactly instinctive, is not automatic, but rather a characteristic of a higher order which all men bent on civilization possess. It is therefore a predisposition, a capacity; and men lacking it are doomed to savagery.

Similarly, the monogamic family is a characteristic of civilization. It is intimately related to property, since its division of labor gives rise to exchange. In this light both property and the state rose historically from the patriarchal family: the state from the authority of the *pater familias*, and property from the division enforced by him. But this by no means implies that the state has the right to redivide property.

On the contrary, the state makes no rights; it merely protects original ones. Meddling is not only unjust and burdensome, but also dangerous and expensive. "Individual industry, private combination, and associations, which are conscious that they depend upon themselves alone, are possessed of a vigor, keenness, and detailed industry which cannot be expected of the action of the state." Exchange ought rarely to be interfered with, and ought "never to promote, as it is called, the interests of the many." The state must neither disturb individuals in these rights nor allow others to do so, "as the trade unions have of late done."

These combinations interrupt the "free course of supply and demand" in causing unnatural prices and actual shut-downs. Should the unions succeed in raising wages, capital would move to the

cheaper regions, and so workers would be unemployed. These "aristocratic monopolies" promote expense and immorality among their members by strikes, wean members away from their families, and cause an increase in crimes, as is exhibited by statistical tables. In fact, such "mobs," such "laborite" protests, constitute opposition "to the majesty of the law and render property insecure." The judiciary is the great bulwark against democratic absolutism, the constant threat to individual rights. "The people, the majority, are subject to sudden impulses, to passion, fear, panic, revenge, love of power, pride, error, fanaticism."

Education is important, Lieber continued. The young should be taught that it is a privilege to obey laws and that it is a "high prerogative" of men to acknowledge superiors and inferiors. It is necessary that "a sacred regard for property in all its manifestations, should be early instilled in their souls." On the matter of suffrage, it is gravely to be doubted whether manhood suffrage is founded in natural right. The voters should have as prerequisites a certain education and steady employment. "No civilized nation in which . . . there are vast ignorant, rude and poor classes, excluded from the common stream of civilization, can endure universal suffrage."

In this connection, too, it is clear that women should be excluded. They are of a different nature. A certain kind of literature dwells on the possibility of equality between the sexes; these are of a "loathsome immorality, pitiful and superficial."

So long, however, as the judiciary stands guard, having the final word, none of these democratic traits can affect more responsible citizens. This view developed into a theory of the state as a historical growth evolving under the restraining influence of the judiciary. The law, in this theory, is the common law, "a body of rules of action grown up spontaneously and independently of direct legislative or executive action," and the judges are its conservators. The judiciary emerged as a kind of super-institution, out of the processes of social evolution; America's place in the scale of nations is securely at the top by reason of having contributed to civilization, the independent judiciary.

His good friend Justice Story, who read the book in manuscript, expressed the verdict of respectable opinion of the anti-Jackson variety on the book: it is one of "the best theoretical treatises on the true nature and objects of Government." [43]

Most revealing on the nature and object of the treatise was Lieber's

letter to Nicholas Biddle commending Biddle's conduct in the past few years both as financier and citizen and incidentally inquiring as to Lieber's prospects at Girard College.[44]

While Lieber kept hoping against hope that his "exile" would soon be over, he kept writing. He published in 1841 in Harpers' "family library" series for academies, *Essays on Property and Labour as Connected with Natural Law and the Constitution of Society*. Its nature could have been easily predicted from the fact that the Reverend Alonzo Potter wrote the introduction. There was little new material in the slender volume. It began with the familiar frame of reference. Private property and monogamic marriage are the two fundamentals of the social structure; out of these all the mechanics of civilization have evolved. Property is a universally acknowledged right, he said. But he severely chastised those men who, forgetting the continuity of mankind and society, have reasoned from arbitrary abstract principles instead of from experience as manifested by prevailing institutions based on the "feelings and irresistible impulses" of man.

By a slight variation in technique, he found he could justify the acquisition of the Mexican lands in California and of the Indian lands within the American borders. The Mexican lands are very rich, they possess useful outlets to the Pacific, which would contribute to that first of all civilization's requisites, the exchange of produce; but instead of furnishing a home for millions of people, as they should, they are peopled thinly by savages. The Indians ought to be dispossessed because "they do not use the land as it was destined to be used, for the support of mankind." Only a few, he said, can be maintained by hunting.

An understanding of property as well as wages requires an understanding of value as viewed in political economy—exchangeable value. Any increase in the supply of goods depreciates value, desirableness. Property, in fact, has value only with reference to its owner, and if this is kept in mind it is "far easier to see the justice of exclusive property, even in land." Nothing can pay for produce except produce, which must be created by labor and capital, itself stored-up labor. The axiom holds even in case of money exchange, since the money is obtained by giving produce for it. Therefore, the more saved from consumption, the more accumulated and used reproductively—"in other words, the more wealthy people there are in a community, the better for all."

Without the employers' accumulations, those without capital would be without the means of livelihood. Wages are no more an invention than is property; they are the outcome of the natural and necessary state of things, and interference with them by unions or even government violates the great economic principle that in "the free exchange of mankind" all things—labor, talent, capital, learning—obtain the price they are "considered worth." Wages in consequence can be increased only by industry, thrift, saving, improvement in political morality, the consistent fulfillment of contracts, and by the prevention of idleness, riots, and other civil disturbances. Workmen ought to be told that restrictions on the accumulation and transfer of property hurt them more than others, that legislative acts limiting large fortunes are vicious. In ancient Rome, when democratic absolutism prevailed, riches were incompatible with liberty and the wealthy fostered corruption to prevent seizure of their fortunes. Under our "noble constitutional liberty," no danger of this sort exists. No one would seriously assert that the richest men—the Astors and Girards—are politically the most influential.

Still, Lieber was serious about workers' education. In 1842 he wrote to Charles Sumner and Samuel B. Ruggles that the great businessmen like Nathan Appleton ought to provide a fund for publishing a series of cheap, well-directed tracts "for the people" on such important subjects as "Government, Obedience to the Law, Property, Labour, Social (Political) Economy, Trade Unions, etc." At least 500,000 copies ought to be distributed, and then the series should be made into a textbook for the higher common schools. "Those who attack many important institutions at their very foundations are busy and do it frequently with plausible arguments. It behooves the others to be active, too."

As was usual in so much of Lieber's work, the origin of this scheme had little to do with labor problems as such. He wrote Ruggles that the project had suggested itself to him on hearing that Ruggles intended to write on the repudiation of the state debts. And Lieber informed his good friend that he had lectured on this "infernal doctrine of repudiation" and "if ever you are enabled to make it worth a man's while to write plainly, thoroughly and popularly on this subject, let me know." Naturally he blamed the doctrine on "democratic absolutism." [45]

During the remainder of his stay in South Carolina, Lieber con-

tinued his efforts to obtain a position of importance in a metropolitan center. In 1844–1845 he visited the "fatherland" for the first time. He was given an honorary degree at Harvard, but he never obtained the coveted Harvard professorship. At the wrong moment his friend Story died. His visits to Germany brought nothing more than acquaintanceship with Prussia's ineffectual king and the offer of a humble post which he could not bring himself to take.

One of his adventures was attempting to have the American government publish a manual of the statistics of the country in the manner that Cooper and others were constantly suggesting. He had started on this project while in Boston. As might be expected, he had already arrived at the conclusion, in his *Letters to a Gentleman in Germany*, that the standard of physical comfort of the industrious classes—the mechanic and farmer in the United States—was higher than anywhere in the world. By 1836 he had worked out a grandiose outline which he submitted to the United States government. It was simply another encyclopedia reduced to a convenient compendium.

A characteristic trait of the times, he wrote, was that in many branches of importance to the general welfare "a careful collection of detailed facts; and the endeavour to arrive at general results by a comprehensive view and judicious combination of them, have been substituted for mere theorizing." The Prussian government, which offers "the peculiar and novel phenomenon of a polity, though absolute in its frame, yet . . . administered upon highly liberal principles," has established a "Board of Statistics" to collect statistical facts with regard to agriculture, commerce, and industry, as well as the manifold social and political relations of its subjects, and "to lay abstracts made of them before the respective authorities." However advisable it might appear, he said, he did not intend to suggest a permanent board. But Congress should order the publication of a "manual of many subjects." Once this is done, it "would be easy for Congress to renew its publication" or issue additions from time to time, say every three or five years.

The chief collector of materials and the compiler of the work "should be a gentleman of established literary reputation and acknowledged ability." To make the manual truly scientific and useful, "the whole literature existing on the respective subjects" should be given in the "form used by the German manuals." [46] Bowen and

the respectable Whigs applauded the proposal. "It would exhibit the elements of American prosperity and the blessings of a free government in a most impressive light." [47]

In 1847 Lieber had hopes that Congress or the government might appreciate his plans and services, but he had to report failure. He had tried to see the Secretary of the Treasury on the matter three times, he reported in disgust to his friend Ruggles.[48]

It doubtless increased his sense of frustration that, when Congress finally undertook to do something along this line, on the census of 1850, another "publicist," the protectionist and eulogist of slavery, James Dunwoody Brownson De Bow, got the job. His bitterness in being in an obscure retreat far from "the moving and literary world" increased. He wailed to his friends that "scholarship in my case is but a morganatic marriage. . . . I was made for a different sphere, for action through masses." [49] Military action, leadership on the battlefield, were what his nature craved. He took to dating his letters according to battles; he was pleased to be made an official visitor to West Point. If it had not been that the Mexican War was unrighteous, he said, he would certainly have applied for a commission.

The outbreak of the revolution in France in 1848, re-excited his nationalist ambitions for Germany and a place for himself in that scheme. His enthusiasm led him to reason that a series of wars was imminent out of which a unification movement would emerge. There is nothing to show that he read or heard of the Communist Manifesto, but he did begin to use the term "communist" as another and more picturesque derogation of all those movements that ran counter to the canons of a free-trade Whig, whether on tariffs or labor unions. Following his familiar pattern, he indicated that in his view communism was merely another phase of that "democratic absolutism" against which he had given so many warnings. In Europe at the moment, the "red republicans" had a role to play; but the nationalist movement would re-establish order if only there be some bold man in Germany, like Cromwell, Napoleon, or Frederick II to grasp the time and wipe out the crowd of princes. He hurried to Prussia only to find that the revolution had petered out and that there was nothing he could do.

Another crisis for Lieber approached in the winter of 1849–1850 over slavery in the territories acquired from Mexico and a more stringent Fugitive Slave Act. Lieber had viewed slavery as a "deciduous institution," one which "always falls at a certain time, as the

first teeth are absorbed and give way to the second." And such a view had been the familiar one of the sophisticated leaders. But now southern leaders had moved over to the thesis that slavery was a positive blessing and were working it into their religion. Not to extend it to the territories, including California, would be taking property without compensation. Lieber's good friends and admirers, the McCords, were intellectual leaders in these movements.

On those very same principles of economics, property, and historical development that Louisa C. McCord used to justify slavery as a blessing, Lieber ventured to oppose the extension of slavery in private correspondence. He wrote Calhoun, then leading the fight in Congress, that slavery annihilates the "two first elements of all progress and civilization . . . property and marriage as legal institutions . . . as much as the vilest communism." [50] Slavery does not exist by the law of nature. It is merely a municipal institution, and only exists when positive law is laid down to that effect. Therefore forbidding slavery in the territories is no deprivation of property. Finally, slavery is against the times, and the worst revolutionists and promoters of disorder are those who blindly adhere to the existing order, whereas wisdom teaches that everything must eventually change or die a violent death. The institution has outlived its necessity. At the same time, the North should not interfere with slavery in the slave states, and those opposing the Fugitive Slave Law and maintaining there is a higher law than the Constitution are fanatical, seditious abolitionists.

When the South accepted Clay's compromise, Lieber could write finally that secession was dying, and he could help organize a Union Party in South Carolina. At a meeting for this purpose he opposed the idea of secession, but in such a way as not to involve slavery or state's rights. The Union has been a boon, he said, to all the states. The idea of secession cannot be found in history, "the common law of mankind." If the idea is logically pushed, then the states might, contrary to the Constitution, establish monarchies. It is fantastic to assume that the Constitution tacitly acknowledged the idea of secession, for this would assume that the founders instilled a principle of self-destruction into the very instrument which constituted the government. It would be like the provision in the first democratic constitution of France providing that if the government acts against the laws, every citizen has the duty to take up arms against it. This was "Jacobinical Democracy tempered by revolution." Further-

more, those who insist on the right of secession on the ground of contract must admit the correlative right of the Union to expel states. Are they prepared for this? There is, finally, the strongest objection: that war would result, and the North would be victorious.[51] The party he looked for, wrote a Whig friend, was one with a platform of "free trade" or "exchange as God wills it," rather than protectionism which was "veiled socialism"; "rational views on slavery," which meant the exclusion of fanatical abolitionists and eulogists of slavery; and "progress in a conservative spirit—a spirit which acknowledges society to be a continuum." [52]

That platform was elaborated in his last and greatest treatise, *On Civil Liberty and Self-Government* (1853). Liberty, of course, was still "constitutional liberty" in contrast to "democratic absolutism." But by now he had accumulated a number of synonyms, such as "institutional liberty" and, above all, "Anglican liberty," in contrast to communistic Gallic liberty. The great controversial issue of slavery he handled in his cautious fashion. The one passage on the question read as follows: "Socially, the colored man is denied equality in all states, and politically he is so in those states in which the free colored man is denied the right of voting, and where slavery exists. . . . The staunchest abolitionist, who insists upon immediate manumission of all slaves, does not likewise insist upon an immediate admission of the whole manumitted population to a perfect political equality." He concluded the book with a chapter denying that the voice of the people is the voice of God.

The book was applauded in the North and South. Colonel David McCord enthusiastically praised Lieber for collecting in one book "views and principles long known to one familiar with the laws and institutions of this country." The only serious defect, he noted, was the neglect of the southern literature on nullification in the reading list. Lieber's great admirer, President Woolsey of Yale, stated in a review in the *New Englander* that he hoped that Lieber might soon get a chair in the North. And just that did finally happen.[53]

Lieber had opportunities from time to time to get an academic post in a desirable eastern institution, but unfortunately heretofore the positions open could never compete with his salary of $2500 and a house. James Kent's son William, a trustee of Columbia College, informed him in 1842 of the recently endowed German professorship there, but Lieber was disappointed to discover that it paid only half his South Carolina salary. When Tellkampf resigned the post four

years later, Ruggles, also a member of the board of trustees, wrote Lieber that he might find it profitable to come to New York by taking the professorship and starting a German newspaper. "Politically speaking," the newspaper "would be of enormous importance in this early stage of German colonization to give its infant mind the proper bias and direction," especially in enlisting or at least modifying "the torrent of democratic sentiment that this stream of German population is hourly rolling into our country." [54]

Lieber replied that a German newspaper under his editorship would not succeed because the only subscribers would be the German merchants. The mass of German immigrants, he said, had "Jacobinical ideas" and felt that he was not one of them in politics. "They are democrats" of the George Bancroft type who believe in the principle of the unrestricted will of the majority of the people. Two years later, in 1849, he wrote Ruggles that he would like to buy into the *New York Journal of Commerce* and become its editor.[55]

In 1855 Lieber was so enraged at his failure to be appointed president of South Carolina that he rather incautiously resigned, expecting that he would be asked to reconsider, whereupon he might make conditions. To his chagrin, nothing of the sort resulted. The whole thing, he wrote Ruggles, came about because the slavery issue would soon bring war, in which case he preferred to be with his friends in the North. He wrote also to his fellow Episcopalian banker friend, Allibone, that many trustees had voted for him but "bitter Calvinism, simply bitter because I do not visit the Presbyterian but the Episcopalean church, and my 'Union' letter, and villainously hinted suspicion of abolitionism, carried the day." After the year's notice which every professor must give, he would be a "promenading workman; for this purpose, I am desirous that my resignation be known all over the Union. It is here in the papers and will soon make a noise." [56]

In 1857 Columbia gave him the chair of political economy and history, at a salary of $4000. He sold his slaves and left the South forever.

The title of his new chair was not satisfactory to Lieber. Either "political economy" lacked the dignity he sought, or its connotation was wrong for the picture he had of his future activities. He actually wrote his friend Hamilton Fish, chairman of the board of trustees, asking that the title be revised. He said that he had not as yet written to European friends in high political office because it would gratify him to tell them that he had been made professor of "the greatest

branches in the greatest city of the greatest Union—that of History and Political Science." [57] It made little difference to the trustees, and the request was granted.

Lieber's tribute to economics in his inaugural was sufficiently impressive. It is, he said, a valuable study because its concerns form the basis of national life and indeed of civilization. Exchange is fundamental; its necessity shows that natural theology, instead of being abandoned, should be further developed. In another sense, economics is useful, he said, as can be shown by reference to the conduct of suffering workers in England during the recent depression. They resorted to no violence because "they knew full well that a factory cannot be kept working unless the master can work to a profit." Had they been uninstructed, they would have rioted as laborers did in the Middle Ages; but political economy had provided a tempering knowledge "regarding the relations of wealth, of capital and labour, which in spite of the absurdities of communism had penetrated in some degree all layers of society."

The basic trouble is that people are suffering from "after-pain of Rousseauism" which itself is nothing but "democratic absolutism."

Political science can dispel such fancies, but first it is necessary not to confuse it, as many do, with various Utopias, which are all communistic. The advocates of these wild schemes, instead of studying the historic genesis of institutions and understanding that civilization is accumulative, want to introduce new governments based on some fanatical theory. They generally attack marriage and religion. This stricture about not understanding history applies also to Comte, who, although he acknowledges property and monogamy, makes up for these "by his atheism and . . . inane vagaries," which come close to the idea of universal organization. Lieber objected to the use in political science of the Benthamite theory of utility or expediency because it allowed Communists like Rousseau and Proudhon to argue that society could undo its own doing, which meant that it could destroy the property it also created.

In this connection also he deplored the increasing use of the term "sociology" as a neater description of the field of political philosophy. It implies a dangerous centralization. It is natural for "Gallicans," but it is socialism. Mere knowledge, said Lieber, is not the ultimate aim of the students of political science. As mere erudition stands to real knowledge, so does knowing stand to doing and being. Action and character stand above science.

He treated issues in controversy among the respectable even more cautiously than heretofore. On the tariff, he acknowledged that economists might disagree over protection and free trade, but that question touches "but a small portion of the bulk of truth taught by political economy. In reality, greater agreement prevails among economists than among any other scientists except perhaps, mathematicians." [58]

His treatment of secession and slavery was such that he could send a copy of the inaugural address to that ardent pro-slavery spokesman, Senator Hammond, and follow it up with the solicitation of the Senator's influence in connection with his various projects, personal and intellectual.[59]

But southerners at last considered that he was not favorably inclined to their principles. In 1860, answering a letter from his eldest son, who was living in South Carolina, he said that when public duty should compel him to state publicly in New York his convictions concerning free trade, he would "be attacked in the North as violently, perhaps as abusively, as I am at the moment in your portion of the country." This contingency did not arise. In fact, the attacks on him for his slavery views were for sentiments which were, so to speak, not on the record. He had been frank only in his correspondence. Of course, he had egged others on. He had wanted Ruggles to say at the Episcopal Convention at Richmond in 1859 that slavery was godless, the greatest evil in modern history; that it must be ejected, and that, while unity and peace were desirable, they were not the highest good.[60] Privately he had denounced slavery to the extent of forgetting somewhat his political theory and his economic principles. Thus he wrote his German friend, the eminent Heidelberg professor of criminology Councilor Karl von Mittermaier, agreeing with him that "democratic absolutism," the tyranny of the masses, was the worst form of absolutism, but at present the minority, the slaveholding aristocracy, tyrannized over America.[61] The agitation for reopening the slave trade Lieber denounced as sacrificing justice to profit. "We economists have, thank God, been enabled to show the utter viciousness and erroneousness" of Bernard de Mandeville's theory that private vice is a public benefit, he wrote a former South Carolina student. Still, supposedly moral people continue to speak and act on the principle, so that a reopening of the slave trade is justified on the ground that it is profitable for the slave trader and cotton producer.[62]

Apparently Lieber was not willing to concede that the proponents of the slave trade were not expert logicians on the evils of "democratic absolutism."

The greatest tribute to Lieber's essential "soundness" was paid by Colwell. Colwell was so anxious to claim Lieber as the right kind of social philosopher, even though he was a free-trader, that in his introduction to Matile's translation of List he wrote: "We do not regard Francis Lieber as a writer upon Political Economy. His distinguished writings occupy another field. We imagine that he is too little satisfied with their doctrines to belong to any of its schools."

### THE MATHEMATICAL ECONOMICS OF SAMUEL GALLOWAY

The northern-born Samuel Galloway (1814–1891) proved more loyal to the area of his adoption.[63] He was born in Pennsylvania, attended the College of New Jersey and Princeton Theological Seminary. After serving in 1834–1835 as professor of mathematics and natural philosophy at Lafayette College, Pennsylvania, he went to the South, where he held a pulpit or taught in the lower schools. He spent fifteen years in South Carolina, thirteen in near-by Georgia, six in Florida, and died in Texas.

In 1853 Galloway published at Athens, Georgia, *Ergonomy, or Industrial Science*, which portrayed the harmony of a universe that included slavery. The economist, he said, investigates the laws of property, reasons with "demonstrative vigour," and "estimates commodities with the strictest arithmetic." Every product of labor entering into a commodity is measured by "fluxionary measures." Masses contribute to each commodity and receive a proper equivalent for their respective contributions.

"Human labour constitutes a regular articulated system, each part of which displays the nicest connection and completest harmony. Wheels within wheels move with ceaseless activity, and the whole appears like one great animated personage. Each elaborator only considers his own part, and other parts are fitted to his action. He is placed in the center of a great web, each thread of which is connected with a thousand others. The involuted fabric is bound together by crossings and twistings and exhibits elegant complexity in unbroken unity."

In Galloway's scheme, there was of course a place for the blacks,

but only as slaves. The dark races possess the acutest senses, but are impervious to moral beauty, manly virtue, and elevated sentiment. They are always ready for sensual indulgence, and "satisfaction is depicted on their very countenance." Their affection for a master is so ardent that they will execute the most hazardous office to demonstrate their zeal and attachment. So inferiority "seems to be their natural destiny."

## CHAPTER XXXII

# The Virginia Contingent: Philosophers of the New Order

### GEORGE TUCKER: A SOUTHERN ANACHRONISM

AT THE University of Virginia George Tucker continued to reign for a while as professor of moral philosophy and political economy, which still embraced political economy, statistics, and philosophy of social relations, or "Ethics of Society." In the fierce political struggles Tucker became a Clay Whig and a bitter opponent of Jackson.[1] Jefferson's ideas, those of the legendary Jefferson more than the actual one, were still anathema to him, but he managed to surround his objections with Jefferson's rhetoric. Jefferson's plan to support promising youth at public expense in the higher schools was unsound, he declared, not only because of the expense, but also because it would be disdained by talented but impecunious Virginians "moved by an inborn sense of equality." [2] He published what might be called an official biography of Jefferson—*The Life of Thomas Jefferson*—in 1837, but in his urbane manner he took Jefferson to task for his criticism of cities, public debt, tariffs, internal improvements, and especially a national bank.

In 1831 he was arguing, anonymously to be sure, for what he had publicly denounced in 1824. The first Congress, he complained, laid an impost in such a way as to encourage industries best suited to the country, and later Congresses continued the policy for thirty years until it was discovered by a member from Maine that the policy was

unconstitutional. The discovery was so cordially welcomed by many southern politicians that the opposite opinion is now viewed as heresy. So again President Jefferson gave his sanction to the federal authority's making internal improvements; time passed, and it, too, was declared unconstitutional. But a procedure which has been recognized by every department of government and acquiesced in by the people should be considered expressive of the Constitution and no longer open to controversy; "and if the decision was wrong, according to a maxim of the common law, and which became common law only because it was common sense, the universality of the error makes it right."

Tucker brought forth this elaborate anonymous defense of a "liberal construction" in the course of defending recharter for the second Bank of the United States in the March 1831 issue of Walsh's *American Quarterly Review*. In the article, which followed Gallatin's famous one, Tucker attempted to defend McDuffie's House Report against critics of that nullifier's extreme version of the quantity theory. McDuffie had asserted that the value of money depreciates in exact proportion to its quantity and this quantity included both paper and specie.

McDuffie's report, said Tucker, maintains a sound principle. All that is required is to state some insignificant qualifications to meet the critics. An increase of money will diminish its value, "but the extent of the diminution is one of those nice problems in political economy which has never been accurately settled. It has not yet been adjusted to a formula which will explain all the facts attending such an increase." The quantity of money required in a country depends mainly on the number and value of its purchases in a given time, yet with the same amount of purchases, the money in circulation will vary considerably. The various expedients and substitutes for supplying a temporary deficiency of currency make the quantity of money in a commercial country capable of considerable contraction or expansion. A sudden rise in the price of staples, while it increases the demand for money, proportionately improves individual credit, making this credit a substitute for cash. Money, too, may be more active at one time than another, and when its velocity of circulation has considerably increased, the greater comparative idleness of a part held by individuals may prevent or lessen its depreciation. These and other circumstances, "all inappreciable ex-

cept by approximations, prevent the value of money precisely varying with its quantity." Having vindicated the quantity theory and ostensibly shown the need of a national bank to prevent "inflation" by the state banks, Tucker went on to argue that the state banks could not safely circulate as much paper as a national bank and to denounce the hard-money proposals of Jackson.[3] Biddle informed Tucker that he had gotten 2000 copies of his "excellent article" for distribution.[4]

When Jackson in 1833 ordered the removal of the government deposits, Tucker's wrath knew no bounds. Under the signature of "One of the Sovereign People," he published a series of letters in the Washington pro-bank *National Intelligencer*. Tucker said that he professed not to be "intimately acquainted with the arcana of Banks," but he was sure that the exclusion of the government directors from the board meetings of the bank was just, for they were really spies. Had they not revealed to the government the bank's disbursements to the press? The bank merely sought to refute the absurd charges against it, and the government's use of these disbursements as one of the grounds for removing the deposits was an attack on freedom of speech and the press. Even if the bank spent more than necessary to enlighten the public, it was erring on the safe side because the people could not receive too much light on the subject. This also applied to the loans.

Back of the whole plot, he contended, was the fact that the irresponsible "kitchen cabinet" was "afraid of being kicked out of the kitchen by . . . Clay, . . . Leigh, or any honest man who may embody the indignation of an insulted people."[5] Apparently Tucker must have felt that few people knew of Leigh as perhaps the most reactionary of Virginia leaders.

Tucker never gave up the struggle, though he might manipulate his arguments. In the midst of the battle over sub-treasury in 1839, he published his *The Theory of Money and Banks Investigated*. In his original defense of the Bank of the United States he had charged that the opposition came primarily from state banks, and he accused them of the usual list of sins. Now he defended them as strenuously as he had done during the interval between the first and second Banks of the United States. He did propose, however, that reserves be maintained for deposits as well as notes and that periodical examinations should be made by state commissioners. But the most effective remedy is publicity of statements. Although they oppose it,

the banks will gain because the popular hostility against them will be allayed, and the people will realize that, though the banks cannot redeem all their notes at once, they are always solvent.

Where others, like Raguet, called for a system of "free banking" to restrain in fact the rise of new banks, Tucker bluntly came out in favor of the chartered banks to achieve the same end. Even if the charter is considered a privilege, it has the same justification in public utility as an exclusive charter to a railroad company. If the railroad charter were not exclusive, no one would build; for should the road be profitable, others would be promoted in order to intercept its profits. The profits may even bear division, but the gains of the new company are the old company's losses without improving the country's transportation. Likewise, the community needs only a definite number of banks; a larger number causes losses. Since the wealth of the community is the wealth of its members, it is better that one set of men should obtain an extra profit rather than all lose.

But government-owned or -controlled banks, including the subtreasury system, was most reprehensible. The Virginia banks dominated by government-appointed directors may have been prudently conducted, but this was "merely proof of lucky escape" rather than the absence of danger.

Still, a private national bank such as the second Bank of the United States would be ideal to prevent the tendency of the state banks to expand their note issues excessively. He admitted that the bank attempted to use its power over the currency in the struggle with Jackson, but the President was the guilty party because he made unnatural war on the beneficent institution. To prevent such government usurpation in the future, the independence of the bank should be protected by denying the President power to remove the deposits. Just as the judiciary is independent because its salaries are beyond the reach of the other branches, so the independence of the bank would be maintained to safeguard its profits.

Tucker made one significant modification, which had been originally put forth by "Bullion" Benton as part of the strategy of preventing recharter. He suggested that two or three such banks be established. This would give the benefit of competition, prevent any one bank from overextending itself, and remove the prejudice against the bank as an aristocratic institution.

Three years later, in the controversy over Tyler's exchequer scheme, Tucker presented in the bitterly anti-Tyler Whig *Washing-*

*ton Independent* and also in the *Merchants' Magazine* a variant that resembled earlier proposals of defenders of the bank who felt that the old bank was lost for the time.

The country, he wrote, suffers from the combined evils of a depreciated and insufficient currency. So he proposed that the federal government borrow on the credit of the public land sufficient specie to make a reserve for a national paper currency adequate to the wants of the nation. A special commission would issue the notes, which would be fixed in amount by law and be receivable and redeemable by the government. The paper would be lent to the states at 4 per cent interest, and the states would assign the paper to selected banks which would surrender their own circulation and act as fiscal agents of the government. Finally, the notes would be redeemable in New York City. Directors of the commission would be appointed by the President with the consent of the Senate and removed only in the same manner.

The scheme, Tucker asserted, had great advantages. Assuming that the amount of currency issued is double the specie borrowed, the government would make a handsome profit; the banks would make the difference between the payment of the 4 per cent interest and the much higher rate they charge borrowers, "and more than all, the people would gain by the spring that would be given to every species of profitable enterprise and productive industry." But of course this or any plan, said Tucker, is far inferior to a "national bank" of whose benefits we have had the experience for forty years.[6]

Throughout all Tucker's explanations, his ideal remained a money economy with its pivot the great commercial cities of large population. So in his systematic treatise, *The Laws of Wages, Profit, and Rent, Investigated* (1837), which was an elaboration of his earlier articles on "theory," he denounced Ricardo for not realizing supposedly that increasing population means not an ever larger share to rent and a decline of profits, but a rise of profits because wages fall. Thus enterprise is encouraged. He declared in an address in 1835 that the South should not take too seriously the familiar argument against manufactories—namely, that they entail masses of indigent laborers who would eventually combine to bring about "agrarian" measures. All the indigent class can do for its own advantage by combination, replied Tucker, will not prove sufficient to overcome the influence which the rich will be able to exert on it.[7]

This by no means prevented him from approving of convulsions

and revolutions in Europe on the "sound" ground that the resulting migration to the United States would raise the price of land. He informed former impoverished President Monroe in 1831 that he had been wise in withholding the sale of his Virginia plantation lands because the agitation in Europe would raise their price. Of course, it was not "amiable or Christianlike" to want the European people to go to war, but "if such is their destiny, we may as well profit by it," especially since the warlike adventures would improve the condition of the great body of the European people "without paying a much higher price for their emancipation than they are now paying in servitude." There must be a new division of powers between the governing and the governed. If it does not occur peacefully, then it must occur by a violent revolution.[8]

In 1845–1847, in the party organ, the *Democratic Review*, he engaged in a lengthy controversy with the former Whig but now Democrat, Alexander Everett, over the validity of the Malthusian doctrine of population. The dispute was rather futile since both wanted large populations.

Since Everett was going to China as the first commissioner under that "renegade" Whig Cushing's treaty, Tucker shrewdly suggested that China should prove a crucial test for Everett's theory of the more the people, the higher the wages, because Chinese wages should be the highest in the world. Just before Everett died in the Orient, in 1847, he sent his answer to the magazine. The naturally beneficial influences of the progress and density of population, where they are unrealized, he wrote, are defeated by the effect of vicious political institutions. But to discover in each case the particular form of misgovernment causing the mischief is extremely difficult, and it is harder still to find the proper remedy. Thus in England the combined wisdom of all the British statesmen on this problem of poverty seems destined to fail.[9]

As this debate was going on, Everett, the anti-Malthusian, was supporting the annexation of Texas in substantially the same manner as Tucker had supported the admission of Missouri as a slave state. He argued that "the native generosity and lofty spirit" of the South are better guides to the welfare of the nation than the calculating spirit of the North. "The South has exercised influence, not as a community of slaveholders, but as the able, vigorous and eloquent champion of popular and state rights, in one word, of liberty." [10]

At the same time, Tucker still used his own interpretation of

Malthus to denounce the "incendiary" northern abolitionists for not realizing that slavery must disappear as population increases on the limited extent of soil. The earnings of the slave will not repay the cost of rearing him. He felt he had verified these conclusions in 1843 by a "statistical" analysis of the census of population of the United States for the last fifty years.

Adequate statistical studies of the census data on population should be encouraged, he declared, for thereby speculations in political philosophy "may be made to rest on the unerring logic of numbers." Such statistical evidence would indicate whether national prosperity is increasing or falling because, as the mercantilist Sir William Petty had argued almost two hundred years before, numbers are the source or index of wealth. On the basis of his highly speculative "political arithmetic," Tucker found that slavery was doomed to disappear in sixty to eighty years.[11]

By a similar speculative statistical analysis of national wealth and income, he concluded that the income was so ample as to overthrow the only ground upon which the "base doctrine of repudiation" could find support with any large portion of the American people.

All the while Tucker "was correct" in his courses. In political economy, he used his own and Say's treatise as required works, but students might consult Henry Carey's works. For the course on "the progress of society," they were required to read Guizot's *History of Civilization.*

But by 1845 Tucker was tired of his teaching and of the South as well. He was seventy. The student disturbances in 1845, which had led to the calling in of the militia, had been very trying. His attitude on slavery as a necessary evil doomed to disappear was anachronistic by now in the South. What is more, he had become quite definite in his Hamiltonian position. He was even saying now that the controversies over whether Congress had the right to give "special encouragement to manufactures, to make roads and canals, to establish banks and other corporations, and to exercise some other legislative functions" showed the inadvisability of a written constitution.[12]

So Tucker took up residence in Philadelphia, the cultural center of America. At last he was somewhere that resembled London. He continued his theoretical, historical, and "statistical" inquiries. He published his massive four-volume Hamiltonian *The History of the United States* (1856–1857). Through the *Merchants' Magazine* he called in 1847 for the organization of a General Statistical Society for

the United States to supply information on national growth. The great errors in the government's census, other than the population data, show that the government cannot undertake such work properly because the necessary increase of officers and consequently of expense will not be incurred by the legislature. But limited inquiries by selected individuals of affiliated societies could obtain the necessary data with sufficient accuracy. Of course, the basic idea was the old one of collecting the available scattered reports or, as he put it, "if those scattered rays of statistical information" from various publications including the *Merchants' Magazine* could be collected into one focus, as the proposed society could, what a world of light would be shed on the question of national welfare!

He wanted especially to obtain data on manufactures, and it was quite natural that he expected this data to confirm the conclusions of Carey and Colwell. So in arguing for a census of manufactures, he declared that the progress of the coal trade marks the progress of manufactures and the growth of cities. Its price falls rather than advances with consumption. With its inexhaustible supplies in the West, it promises to become the fuel of the poorest in the land. "The rapid increase of the iron business must also be looked at with great interest." Its rate of growth has been such that in twenty years or less the country—though it will be consuming ten times, perhaps fifty times, as much as at present—will be able to supply its own enormous demand.[13]

Tucker's attempt failed, but undaunted he suggested at the first meeting in 1848 of the American Association for the Advancement of Science, of which he was a member, that it should establish a section of "Political Economy and Statistics" on the ground that all statistics are "auxiliary to all the sciences that are not demonstrative"; and to those which are, they furnished materials.[14]

But the association simply included "political economy" under one of the two main sections of the association, that of "natural history." "Natural history" comprised "geology, physiology, and medicine"; while the other section of "mathematics and physics" embraced "general physics, mathematics, chemistry, civil engineering, and the applied sciences generally."

However, Tucker continued his statistical and monetary studies and, like Colwell, he originally declared, as gold was discovered in California, that gold should be demonetized and silver made the sole

legal tender. The discoveries, he argued in 1850 and 1852, would reduce the value of gold from 16:1 to 10:1 before the natural check of a decreased production and increased consumption would restore the equilibrium. Creditors on long-term contracts would suffer by the depreciation, while debtors would gain. Besides, the silver dollar is the general money of account, the popular standard by which the value of gold and everything else is measured.[15] But in 1858 he felt that there was no danger from gold. The depreciation of gold, he said, is being prevented by the increased cost of production of gold and the increased demand for it in the arts.

He was still denouncing the evils of banking. Deposit of government securities against notes is not an adequate remedy because in a panic securities are not liquid. Nor did he feel that allowing banks to raise interest rates freely was the cure-all that Cardozo at one time made it. The desire for increased profits now leads banks to excessive discounts; the same desire would, if they can alter rates, lead them to the raising of the rate, and the alternations from a low to a high interest and vice versa would give a new incentive to speculating with the funds of the bank. The real remedy, he concluded, lies in his old scheme of two or three national banks.[16]

Late in 1859 he published his last systematic treatise, *Political Economy for the People*, which he said was in substance a compendium of his earlier lectures at the University of Virginia. On slavery, he found that the acquisition of Texas and part of Mexico, by lessening the density of the population, would extend the life of the institution; but it added no more than ten years to his earlier prediction of eighty years for the "natural and easy" death of slavery.

One wonders whether Tucker recalled his role and his optimistic prediction in the controversy over Missouri. He died just as arms, rather than Malthus, were about to decide the issue.

### WILLIAM H. MC GUFFEY AND THE MC GUFFEY READERS

Tucker's successor at the University of Virginia was a northerner, the Reverend William H. McGuffey, who had already begun producing the celebrated McGuffey readers. He eminently satisfied the demand that the professor of moral philosophy should be first of all a sound theologian. A Scotch-Irish Presbyterian, born and educated in Pennsylvania, he followed the Common Sense philosophy rigor-

ously. He seemed to be primarily a good preacher of sermons, but he did substitute Mill for Tucker's own treatise as a required textbook along with J. B. Say.

Judging by his enthusiastic approval of the extremely popular *Political Grammar of the United States* by the ardent Whig Ohio Commissioner of Statistics, Edward D. Mansfield, McGuffey appears to have been a follower of the main Whig positions. Mansfield saluted Joseph Story and Daniel Webster as his intellectual guides and argued that Congress had a constitutional right to charter a national bank, provide a protective tariff, and support internal improvements. And, of course, his book was "sound" on slavery.[17]

In the course on "The Progress of Society" the textbook used, in addition to the works of Guizot and De Tocqueville, was the impressive tome, *Considerations upon the Nature and Tendency of Free Institutions*, by Frederick Grimké, a former Ohio Supreme Court judge who was born in South Carolina and trained at Yale. Grimké was a strong believer in the doctrine of Malthus, but if the "preventive" checks that Malthus advocated, such as a restraint on early marriages, became general, Grimké argued, the resulting high wages to labor would enable other nations to undersell the country practicing the restraint, and its industries would languish.

### M. R. H. GARNETT: SCHOLAR IN POLITICS

At the time the University of Virginia could boast an alumnus possessed of Tucker's ability, but more attuned to the day and place than Tucker had been.

M. R. H. Garnett (1821–1864), son of an eminent planter family, had all the advantages of birth and wealth. His private education was such that before reaching the university he felt a year of organized study would be enough, and while there he planned to continue his studies at home without any particular profession for at least a year. The studies would include history, metaphysics, and belles lettres. Having learned Greek, Latin, French, and German, he would read writers in the original languages to improve his ability in these languages, he wrote a friend. History he intended to study "philosophically"—that is, "in connection with Political Economy and the general doctrines of government, and as an illustration of

the science of the mind, in short, as 'philosophy teaching by examples.' " [18]

Instead of one year at home, he spent two, and then two more years at the law school of the university. During the stirring events at home and abroad in 1847–1849, Garnett laid the foundations of a career as a philosophical politician. He presented the principles of a proper system of economics through the pages of the *Southern Quarterly Review*, in the form of review articles of the works of Adam Smith (McCulloch edition), Ricardo, Malthus, Say, Thomas De Quincey, and Richard Whately.

Smith's theory of labor value, he felt, leads to absurd socialistic conclusions. Since labor, according to the theory, always costs the laborer the same toil it performs, it will always exchange for the production of any equivalent labor. But if this is true, labor must always receive the whole of its production and nothing be left for profits. "To escape this absurdity Dr. Smith presupposes that after the accumulation of stock, exchangeable value, especially that of labour, is regulated by different laws, and that, as labour receives less than its *natural* recompense, a balance is left for profits and rents. This is to suppose that the natural laws of value change with the progress of society." [19]

Profits in no sense are to be viewed as the outcome of capitalist exploitation, he explained. Capital in whatever form can always be reduced to labor. The natural value or cost of production of any article in labor is easily ascertained. All that remains of the exchangeable values after the cost of production is taken away is to be regarded as the profits. Profits exist because labor in general produces more than is necessary to support itself. If it were not so, there would be no accumulation of capital. "And it is the average of this annual increase, varied by all the circumstances affecting exchangeable value, which makes the per centum of profit."

Any attempt made to check the growth of enormous individual riches would be useless as well as harmful, Garnett wrote. Every addition is, after all, only the excess of profit remaining after provision had been made for labor. Legislation designed to check the increase of profit could only be effective by rendering capital unproductive. Wealth is the product of industry, and industry is the struggle for life of that vast multitude which, without it, would sink into wretchedness and death. This multitude has come into existence

to find the ground from which subsistence must be drawn parceled out in conformity with the results of the lives and labor of those who preceded them, and to discover capital or the accumulations of past industry in the hands of those to whom it naturally fell. The right of the owners cannot be disregarded. Any system of law or philosophy which would destroy the sanctity of such possessions by describing them as conventional, is more injurious to mankind than the most daring atheism.

What the propertyless multitude produces does not become their own, but passes into the aggregate of capital already existing. The excess of their production over their consumption becomes a part of capital and passes into the hands of a few. When a great increase and concentration of wealth occurs, the owner begins to realize that his individual labor is inappreciable in its increase. So he spends his life unprofitably in the industrial sense. From this state of indolence and pleasure arise those vices that offend the moralist. But the very ease, indolence, refined tastes, and pampered appetites of those who have accumulated large capital become the means of life to many toilers.

A scanty population over a great territory may maintain a life of homely abundance and manly virtues. Small numbers of inhabitants and ease of living check the rise both of great accumulations of capital and of those social gradations which interfere with the simplicity and independence of rustic life. But in a crowded population there is no blessing like industry and no support to industry like the desire of employing capital.

No law is required to direct the achievement of this beneficent result. Labor and capital make their own laws, and these are as immutable as the principles of matter. The philosopher who is truly the poor man's friend will do no more for him than preserve him from oppression and leave him to struggle unassisted and unimpeded. "Education and religion are all that humanity can bestow. The farther care of the labouring class is with the interests of the social system. Society understands its own interests, though it cannot always express them philosophically. The labouring man may be left to its direction in comparative safety." [20]

Friends of Garnett became interested in establishing for him a chair of history and literature at the University of Virginia, but he was more interested in becoming an important public figure. Friends

were worried lest he go to some great northern city as the most opportune place to practice law and further his political ambitions. He finally decided to try the home pastures and fired his opening gun for political fame in a stirring address before the alumni in the summer of 1850, when he was but twenty-nine years old.

The harmony he saw in the universe, as he wrote his anonymous articles on political economy, apparently had become somewhat fictitious in a short time. He appealed to all true Virginians to stand fast to their old institutions. The civilized world outside of the South, he felt, was in an uproar. The German revolutionaries of 1848 at the Frankfurt Assembly instead of establishing a federal union like the American, abandoned the assembly to the extreme pantheistic Socialist Left, the Young Hegelians. Hegelian pantheism led to Ludwig Feuerbach's humanism, and thus to socialism. The North, too, was moving toward anarchy and socialism, and he pointed to the cry for publicly supported schools as a strong manifestation of this tendency. Hegelianism has spread through all classes, especially in "that hive of free schools, well-taught New England."

The chief means of spreading the pantheistic and socialist philosophy, Garnett said, is the national concentration or centralization with its antagonism between rich and poor, laborers and capitalists—an opposition which in a society without slavery must increase as population outruns subsistence.[21] But slavery and federalism—states' rights—have always existed where mental energy has been most intense and wherever the greatest literature has been produced. Fully accepting Calhoun's opposition to the doctrine of the "numerical majority," Garnett soon followed this with a pamphlet that won the attention of ardent Calhounites everywhere: *The Union, Past and Future; How it Works and How to Save it.*

Garnett bluntly proclaimed that his state came before the Union and that the South had made a terrible mistake in agreeing, in the government under the Articles of Confederation, that slavery should be barred from the Northwest Territory.

One of those he labeled abolitionist, in a review of the pamphlet in the *Merchants' Magazine*, took Garnett to task for denying that certain areas were economically unfit for slavery, as most of the ardent pro-slavery writers had stated. This critic suggested colonization of the free Negroes as the true path of ending slavery. "Let the South give to the intelligent and industrious slave, religion and

learning, and as in Spain, the privilege of buying his own freedom . . . let her promote manufactures, and let the North restore her fugitives. Evils thus met will gradually diminish." [22]

Garnett replied that the great danger to the Union is not from the few fanatical abolitionists who demand immediate emancipation, but from men like the reviewer who talk about the eventual extinction of slavery, for they strengthen the moral sentiment of the northern people against the institution. This moral sentiment, this so-called "'spirit of the age' . . . must constantly force its way into legislation, in a Democratic age and country like ours." And this result becomes more certain as the consolidation of all powers in the federal government fosters the feeling of the northern people that they are responsible for slavery, and all other institutions. The true remedy is to "let both sections recognize the great principle of the equality and sovereignty of the States, whether slave labour or hireling, and open the common territory equally to both." [23]

Such talents, plus the fact that he was the nephew of the powerful United States Senator Robert M. T. Hunter, were quickly rewarded with his election as a delegate to the state constitutional convention of 1850–1851, to the House of Delegates continuously until 1856, and then to the national House of Representatives.

In the state constitutional convention, he bitterly denounced every attempt to liberalize the franchise on the old ground that slave property would be endangered. The present, he declared, is a contest between the principles of "consolidation" and "individualism." It is a contest of individual right against despotism of all kinds, whether despotic kings or despotic numbers. It is a question whether fanciful theories shall override experience and become the basis of our constitution; whether the numerical majority shall absorb all the processes of the community, and man be relieved of all moral responsibility by "undertaking to provide for all his wants at the expense of society." The numerical majority would abolish property, but the property right is primordial and not a creature of society. It is higher and more fundamental than any constitutional sanction. The vast development of society, materially and otherwise, comes of "man's nature as manifested and realized in property."

In the state legislature, in 1856, Garnett called on the state to dispose of its investments in various enterprises, especially banks, to prevent the growth of despotism. "Let us sever the unnatural and

dangerous union of banks and state" and leave business and currency to the "control of the laws of business." [24]

He entered the tariff controversy in Congress in 1857 with the declaration that the mission of our generation is to subdue the material universe and, to perform this mission, "I demand for American genius and industry that its shackles be stricken from its hands." We stand for individual enterprise, the freedom to buy and sell where our interest leads. He opposed a reduction of the duties on raw wool on the ground that it would merely swell the profits of the manufacturers, but the case was different as regards wool manufactures.

On slavery he remained adamant also. "Where will be the security of property, when you rudely thrust aside the judicial independence and constitutional guarantees?" he shouted at the northern Republican critics of the extension of slavery and the Dred Scott Decision in Congress in 1858. "Your population increases at the expense of the country"; and in many towns, as in Chicago, New York, Cincinnati, it is half foreign-born. When the propertyless become a majority, what will become of you with your doctrine of the divine right of numbers and unlimited voting? Already, in New York, you have heard the socialist doctrine of a right to labor, and to support from the taxes of the property holders. The mayor of the city, who in fact was rather conservative, Garnett declared, has "pandered to their destructive sentiments." You need more than ever "the conservative influence of the South in the Union. . . . I appeal to you then in the name of the Constitution and the Union, to pause before you . . . declare there shall be no more slave states." In the end Garnett and his state left Congress and the Union, but he did not live to see that his "philosophy" of history had misled him as to who would be the victor in the conflict.

### THOMAS RODERICK DEW: THE RICARDO OF THE SOUTH

The chief academic center of what became dominant southern opinion was Jefferson's alma mater, William and Mary. Jefferson would hardly have recognized Thomas Roderick Dew and N. Beverley Tucker as his spiritual heirs, but they were the men who expressed the new spirit of the South.

Dew (1802–1846) succeeded Cooper as perhaps the most influ-

ential thinker in the South.[25] South Carolina College sought him to succeed Thomas Cooper, and the University of Virginia wanted him to occupy George Tucker's post. He was the confidant of leading Virginia politicians, especially of opponents of Jackson, such as Governor John Floyd, whose views and suggestions Dew presented on critical occasions.[26]

A movement was even started to send him to Congress, but he pleaded that the "high excitement produced by political life in our Legislative Councils, would be more than my constitution would bear." [27] This did not prevent him from attempting to influence public opinion and legislation through the medium of the press as well as the classroom. Perhaps no mere academician ever did so much to create the political excitement he so much deprecated. For a while he was a member of Tyler's "kitchen cabinet."

Dew was eminently qualified by antecedents and education to speak for dominant respectable sentiment. He grew up on a Virginia plantation. At the age of fifteen he entered William and Mary, where he imbibed the teachings of the highly conservative J. Augustine Smith. He graduated in three years, in 1820, and made a two-year trip to Europe. In 1827 he was appointed to the faculty. It was characteristic of the looseness or inclusiveness of chairs in that day that the secretary should write in the faculty minutes that Dew had been made professor of "Political Economy" and then substitute "Law" for "Economy." Doubtless "Political Law" was more impressive than simply "Political Economy." The professorship included natural law, political economy, metaphysics, government, and history, with Adam Smith as the textbook in political economy. In 1836 Dew became president and professor of "Moral and Political Philosophy," which now embraced "Moral Philosophy, Rhetoric, and Belles Lettres, Logic, and the Philosophy of Grammar; Political Economy, Metaphysics, Government, and History." In his published writings he referred to himself at one time as "Professor of History, Metaphysics, and Political Law," and another as "Professor of Political Economy, Metaphysics, etc."

He taught history in the customary theological fashion, beginning with Genesis. In philosophy, of course, he followed the Common Sense school with Dugald Stewart as the authority. In economics he eventually substituted Say for Adam Smith as the textbook, and he reserved Ricardo for students working for the M.A. On the occasion of important public controversies on economic issues, he

had his relevant lectures published, and these served as a textbook.

Dew was learned and able. He knew the literature both in English and in foreign languages. He skillfully managed to present the most recent developments in the theory of value and to tie them up with his discussion of the great practical issues. Though his conclusions were substantially similar to those of Cooper, whom he greatly admired, his style of writing was more moderate in tone, and he was willing to present a sustained analysis where Cooper would utilize a mass of miscellaneous and often contradictory arguments to support a position.

Dew rose to great prominence in the controversy that followed the tariff in 1828 through his publications and his work at the famous Philadelphia free-trade convention. In 1829 he printed part of his lectures to the "senior class in political law" dealing with the "Restrictive System," and these gave him a national reputation. Dew dedicated the *Lectures on the Restrictive System* to J. Augustine Smith; and, though in the preface he disavowed any intention to engage in political controversy, the book was shot through with the political philosophy of Calhoun.

He displayed a high order of technical skill as he went into the theory of value to lay a groundwork for his exposition on the tariff. His great authority was Ricardo, but of course Ricardo's views were deftly manipulated to meet a host of miscellaneous exigencies. Normally, high profits and interest rates are the best index of national prosperity and high wages. High wages lead to increased population. The necessary resort to inferior soil or, what is the same thing, successive applications of labor and capital to the same soil, leads to diminished returns. Wages and profits fall, and so the ground is prepared for manufactures. Thus England can manufacture more cheaply than the United States. Of course, in this connection he hoped that in the United States centuries would pass before wages fell to the minimum of subsistence.

This kind of argument Dew conveniently adjusted to show how the East was taking advantage of the West. The tariff prevents immigration to the South and West by raising wages and profits in the East, where they would otherwise fall because of dense population and accumulated capital.

Dew showed considerable skill in answering critics of free trade. To the argument that general overproduction is caused by imports, Dew, using Say's law of markets, replied that there could be no over-

production because supply always creates demand. However, the "overproduction" of one or two lines may lead to an appearance of general overproduction because of the "intimate liaison" and connection of all trades. Thus the want of confidence in one business during a period of misfortune causes stagnation in the general circulation of capital.

All the familiar economic and social evils of manufactures were set forth. But he had a rather novel answer to one form of the infant industry argument that emphasized England's great advantage in her people's being longer accustomed to machinery. On the contrary, replied Dew, a nation which begins a particular manufacturing business later would use the latest improved machines, whereas nations long engaged in the business must continue with the old machinery or be forced to make a great sacrifice if they introduce the new because of the loss of old investments.

Dew, like southern opponents of the tariff in general, was not against a tariff for revenue, but simply one for protection. So extreme were his views that after attending the great free-trade convention in Philadelphia in 1831, he submitted a memorial to Congress outlining at great length the constitutional as well as common objection to protective tariffs.

The existing tariff is simply a case where the ignorant majority oppresses the minority to the economic loss of the nation, he said. It was passed by a majority obtained by log-rolling among a combination of interests determined to aggrandize themselves at the expense of the minority. This is also true of national aid for internal improvements. Dew was aware that his general argument against state interference might rule out aid by any public authority, but again he knew how to make the proper qualifications. "If I am asked, then, how I would justify any measure, say a system of internal improvements in my native state? I would say this is designed for the benefit of all, and will diffuse prosperity throughout the commonwealth." True, one section may benefit more than another, but this must be accepted because the "inequality results from nature and necessity and cannot be wholly remedied."

Of course, if the state aid is merely for the benefit of one section in the state, it is bad. But Dew found that state aid to certain private canals and railroad companies ostensibly to build up eastern towns is for the good of the entire state, whatever the other section might foolishly think to the contrary. Nor did his *laissez-faire* atti-

tude and opposition to "king numbers" prevent him from siding with the Bank of the United States in the recharter and subsequent controversies.[28]

In the trying year of 1834, Dew had two other lectures of his political law course published in the "popular" press. They combined an attack on the usury laws and on Jackson's removal of the deposits. They were printed in the *Farmers' Register*, edited by Edmund Ruffin, stanch opponent of poor laws and defender of *laissez faire* and slavery. Dew, like Cardozo, felt that the western and agricultural parts of the state did not understand their true interests in opposing the elimination or at least modification of the usury laws in so far as they concern banks. Under his Ricardian analysis, the western part would be better off than the more commercial eastern parts. Since its soil is fresh and the population thin, "profits are perhaps higher than in the eastern section." In any event, the profits in the West are going to be even higher as soon as the great state internal improvements are completed, giving the West better transportation facilities to the East and its seaports.

So Dew reiterated the familiar Tooke analysis already used by Cardozo that it was the course of trade, not bank issues, which determines prices; that the inscrutable, uncontrollable speculative spirit, not banks, causes depressions; that the banks, in short, are merely passive agents of the general credit system.

Jackson is to blame for the prevailing money pressure. It is an axiom of modern theory that the efficiency of a circulating medium depends on the compound ratio of the quantity and velocity of circulation, and the circulating medium includes all forms of credit. A sudden shock to the public confidence will retard the velocity of circulation and immediately produce a money pressure exemplified by the "rash removal of deposits." The pressure is not occasioned by a diminution of bank paper, for issues have only slightly if at all been reduced by the diminished velocity of circulation. When confidence is destroyed, credit can no longer serve as cash. A stands indebted to B, but B will no longer take A's debts as payment. Dealings become isolated. Debits and credits are no longer compared and balances struck.

As proof of his general theory of "confidence," Dew said that the English government averted great money pressure in 1793 and 1811 by issuing exchequer bills as loans. The mere determination of government to do so, restored confidence and removed pressure be-

fore the bills were even issued. Similarly, the money pressure in New York will be relieved under Jacksonian Governor William Marcy's plan to create $6,000,000 in stock to be lent to the state banks. But not for a moment would he applaud such an "immoral scheme—a scheme which proposes to make the state responsible for the acts and misconduct of banks and politicians." Dew did not have to inform his readers that Marcy was a Jackson supporter and that the object of the measure was to break Nicholas Biddle's pressure on state banks to force restoration of the deposits.

The Bank of the United States becomes vicious—that is, politically —said Dew, where usury laws exist; for then low rates force the bank to issue more paper and thereby increase its power over the community, especially in the complaining western states. Under the low and unjust rate, more of the inhabitants become indebted to the bank, and of course the bank is able to dictate their votes and opinions. The remedy is not to eliminate the bank, but to repeal the usury laws or gradually raise the rate until it approaches the market rate. Such action on the usury laws would supply another example of the innovating spirit of republicanism, which by its successes here and consequent adoption abroad, "may tend to break those chains of error, authority, and long-continued prejudice, in which the people of Europe have been for centuries bound, as if under the influence of some potent magic spell." [29]

The following year he warned fellow Virginians, again through the *Farmers' Register*, in another application of "the abstract truths of political economy." The prevalent prosperity and high prices threaten to be short-lived because the bank "is quickly to wind up, and if its curtailment shall be very rapid, it may force the whole banking system of the country to contract its accommodations, and thus perhaps to give a shock once more to public confidence." [30]

In 1836 he saw the monetary system being threatened by the accumulation of the surplus and its deposit in the selected banks, the so-called "pet banks." The banks can never tell when the government might suddenly call for the funds, he wrote in an anonymous article in the June 1836 issue of the *Farmers' Register*. The sudden hoarding by the deposit banks to meet the calls of government would instantly paralyze the entire business of the country and leave the debtors at the mercy of creditors. A sudden restoration after such an abstraction would "blow up the bubble of speculation to burst once more with the same melancholy circumstances."

This danger is intensified when the country's stock is rapidly increasing, with the industrial growth being achieved through corporations, the construction of turnpikes, railroads, canals, the building of factories, and the forming of joint stock schemes. All these stocks are exceedingly sensitive to the money market, rising today and falling tomorrow. These fluctuations in stock generate a destructive gambling spirit. But the fluctuations are the necessary and inevitable results of the surplus revenue.

Of course, Dew was aware that the surplus might be eliminated by the reduction of the tariff, and he had in 1831 rather sharply denounced, on constitutional as well as economic grounds, any tariff beyond the need of revenue. But in 1836 he was a good Whig fighting Jackson. Nothing can be done about the tariff, he said, so long as the Compromise Tariff of 1833 "is considered sacred and inviolable." So he proposed what Clay and Webster soon were pushing in their struggle to restore the bank—namely, the distribution of the surplus revenues among the states.[31]

When Van Buren presented his sub-treasury scheme, Dew, as might have been expected, opposed it. This time, the organ he used was a powerful anti-Administration Washington newspaper, the *Madisonian*. His essay, written in 1840, was in the form of an anonymous letter addressed to a Virginia "representative of Congress" who had supposedly asked his advice on the "great question of the day." The representative, it developed, was his Virginian friend William C. Rives, who had broken with the Administration and joined the "conservative Democrats" over sub-treasury, and found himself, through the activity of the Calhounites, retired from Congress for his opposition.

Van Buren's arguments, wrote Dew, are calculated to rivet error on the mind of the undiscriminating mass. The hard-money sub-treasury scheme will destroy all banks and bring the most violent "commercial convulsions." The President and his supporters are guilty of the popular error of charging commercial and monetary revulsions on the banks. The course of trade, not banks, he repeated, is the cause. They are incidental to the fluctuation of prices in the commercial world, and "until these can be steadied, which is impossible, they must occur."

Crises are intense in the United States because a single commodity, cotton, constitutes a large percentage of the total exports. Cotton production is localized in one large section of the country which

produces little else. Directly or indirectly, every trade and the whole credit structure of the South is intimately connected with cotton. Distress in the cotton industry threatens the entire community. Now, the banks can have no appreciable effect on this, for the price of cotton is regulated by the foreign market. The only influence that the banking system has on the price of cotton is the most salutary one of offering facilities to the great commission and exporting merchants. But if the farmers throughout the Union, like the Virginians, had only "cotton patches," a collapse in cotton would not bring such widespread distress; but this, of course, is not anything the state can directly rectify.

Another causal factor is the great and dangerous land speculation. The constant movement of our restless population from one region to another, carrying along with them a large portion of capital, has a tendency to disturb the regular operation of supply upon demand throughout the Union and to produce the most powerful fluctuations in price, particularly of land.

But attempts by legislation to check speculation are doomed to failure. In the first place, it is often impossible for human wisdom to determine whether the cause is one of wild speculation or of useful adventure and enterprise. When cotton stood at eighteen cents, just before the panic of 1837, many of the best judges of the age held that such a price had become the natural price, and if so the country had not overtraded. Legislative interference, by attempting to substitute human wisdom for the self-sustaining laws of trade, as with Jackson's specie circular, will inevitably produce mischief. He did not doubt, however, that a well-managed banking system might become the best possible check on wild speculation because banks have more extended relations and a more intimate knowledge of the course of exchange. "Who does not see at once that such men as . . . Nicholas Biddle, at the head of great banking institutions, are more apt to foresee the coming crisis, and to prepare for it, than any given number of isolated individuals wielding in the aggregate the same amount of capital?"

However, under the sub-treasury scheme the banks will cease to be profitable, or become dependent on the executive. At some critical period, "when the banks are prostrated, currency deranged—the credit destroyed—when the labourer is out of employment, and the widow and orphan have lost their all," the executive will graciously step in with the sub-treasury as the instrument of relief. The sub-

treasury will be easily converted into a great government bank, and "when this alliance shall be completed, we may bid adieu to our liberties. The future historians may then record that, as our Anglo-Saxon ancestors won their liberties by nobly refusing to surrender the purse to the king, so we had lost them by ignobly yielding it to our President." [32]

Rives got Dew's letter wide publicity by highly commending it. The author has proved, he wrote in an open letter, that the measure would ruin all classes except creditors and salaried officers. The author, he added, is "one of the ablest men and most distinguished writers on political economy in our country, (and a Virginian, too, I am proud to say,) who, though removed from all connection with party politics, has been so startled by the dangerous fallacies of the . . . [President], on subjects to which he has devoted the chief studies of his life, that he has felt it a duty, from which no good citizen is exempt, to aid in exposing them." [33]

What gave Dew lasting fame in the South, and for that matter in the nation, was not so much his views on tariffs and banking—they were subject to adjustment—but his elaborate defense of slavery as a "positive good," not a necessary evil. It originally appeared in 1832 in Walsh's *American Quarterly Review*. Then Dew enlarged it for distribution as a pamphlet. It went through a number of editions and was included along with the writings of other southerners in the famous *Pro-Slavery Argument* published in 1852. The occasion had been the debates in the Virginia legislature in 1831–1832, shortly after the Turner insurrection. Dew, according to the records, possessed only one slave, whom he acquired only a short time before publishing his essay.[34] But he supported most vigorously what Jefferson's favorite grandson, Thomas Jefferson Randolph, had called in the same convention the "hopeless, ultra-absolutism of the South."

Dew denounced all proposals for solving the problem, no matter how mild, as the "wild doctrines" of fanatical abolitionists who shout abstract truths without regard to adventitious circumstances. He found that the ideas came from the ignorant misguided westerners who, being without slaves, would oppress the easterners by confiscating their property. It showed how hollow were the claims of the westerners in the constitutional convention of 1829–1830 that white manhood suffrage and representation according to whites would not lead to confiscation of eastern property. In fact, if a convention of the whole state of Virginia were called, and in due form

the rights of slave property were abolished by the votes of western Virginia alone, does anyone think that eastern Virginia would be bound to yield to the decree? "Certainly not."

Dew was both blunt and sophisticated in his defense of slavery. He requisitioned all his knowledge of history and of economic theory, especially Adam Smith and Malthus, for the cause. When the issue had to be squarely faced, Dew forcefully stated that not philanthropy but self-interest and property, and self-interest meant property to him, are the great determining forces of society.

The exclusive owners of property ever have been, ever will, and perhaps ever ought to be the virtual rulers of mankind. Property determines the character of government and the relation between the classes. Slavery and property have a common origin. In man's original state, the hunting stage, there was no property; consequently the savages had a high sense of independence and equality. But it was a licentious liberty compared to the modern liberty where order prevails and each acquires the fruits of his labor. As soon as property was established, so was slavery, for the victorious chiefs then had an interest in not killing their captives. Thus slavery was a civilizing process, taming wild man to industry. It has, of course, the sanction of the Bible. It is also based on the right of bargain and sale: the sale of liberty for continuous support. Slavery is the only method by which the contact between civilized man and the barbarian raises the latter, since it prevents his corruption and extermination. Slavery keeps the upper strata of society in the healthiest moral character, for it makes the slaveholder chivalrous, generous, and incorruptible, and makes the mistress of slaves the ornament and immaculate blessing of the domestic sanctuary. Citing Burke, he declared that the southerners have a high sense of liberty, for freedom there is a badge of rank.

Its great virtue is that it maintains republican liberty. Where slaveholding prevails, slaves do the menial tasks; and, the cause of greatest distinction among freemen having been removed, the poorest white meets the richest man on terms of equality. Servants are friendly and cordial, but in the North masters do not meet their employees and servants on familiar terms.

Colonization would be unwise as well as useless. The state would lose the great profits from the export of slaves. The taxation to purchase the slaves would be too costly; for, according to the principles of Malthus, almost complete exportation is essential to increase the proportion of whites. This heavy taxation would further paralyze

the spring of population and the prosperity of the state by forcing the wealthy slaveholders to migrate to the more fertile lands of the West in order to maintain their standard of living. Besides, the competition of the state would, by raising the natural price of slaves, increase their production. It is claimed that all these objections would be avoided by the state's purchasing the slaves below the market price, but this would be monstrous because the great object of government is to protect property.

Slaves are essential to the southern economy. "In southern countries idleness is very apt to predominate . . . over the desire to accumulate, and slave labour, consequently, is most productive. Again staple growing states are *ceteris paribus*, more favourable to slave labour than manufacturing states. Slaves in such countries may be worked in gangs under the eye of a superintendent, and made to perform more liberally than freeman."

The great curse to Virginia has been the emigration to the West. This has prevented the accumulation of capital and the increase of whites. The remedy is simple—namely, state grants and individual subscriptions to proper internal improvement companies already projected, both of railroads and canals, which would build up eastern cities. Cooper has most admirably pointed out, he declared, the great advantage of the large towns. The "absence of large towns has been one cause of the inferiority of Virginia to some of the Northern States, in energy and industry."

Once the great internal improvements now under way are completed, agricultural profits would rapidly increase, and the demand for labor would check the western immigration. But if western Virginia continues to demand the removal of the slaves, the first effect would be to stop the great improvement schemes to its own disadvantage. "Where is the state to get the money to cut canals and railroads and send out thousands besides to Africa?" [35]

On the other hand, William M. Rives, also from eastern Virginia, had agreed in the debate that the declining fortunes of lower Virginia could best be checked by a judicious system of internal improvements that would draw the produce of middle and western Virginia to the eastern market towns. Yet the large slaveholders of the lower country, he exclaimed, continually oppose all such measures because they feel that the establishment of large commercial towns would destroy slavery; that the enterprise and intelligence generated by an extended and prosperous trade, and the prosperity and enter-

prise thereby diffused over the surrounding country, would introduce a spirit and intelligence fatal to the perpetuation of slavery.[36]

That same desire to perpetuate slavery accounts for the great slaveholders' opposition to liberalizing the franchise and representation and to installing a proper public-school system for the lower and middle classes.

But that Dew sincerely believed in cities as the source of true greatness was evident when later he moaned that their absence accounted for the low state of learning in Virginia. Manufactures and the resulting accumulation of wealth, he said, are essential for the support of a literary class. "Where better, for example, can the great political and economical subjects be more successfully studied?" This, of course, did not prevent Dew, even in the same address, from attacking northern capitalism in defense of slavery, especially in the trying days of the "despotic" rule of Jackson and Van Buren.

He got especially gloomy in 1836–1837. At present the available lands offer great rewards to labor and enterprise. Consequently, the laborer, knowing that he will soon be a capitalist, is a stanch defender of property. But with increasing population, "the great safety valve of the West will be closed," and with millions crowded into cities and factories, the capitalist and the laborer will be sharply distinguished. Poverty-stricken, starving millions will form the numerical majority, as in the old countries; and when universal suffrage gives them the political power, "can you expect that they will regard as sacred the tenure by which you hold property?" When hunger stalks through the land, "no species of legerdemain can turn the eyes and thoughts of the sufferers." He pointed to the turbulent Greek democracies and the Roman republic where the rich were forced to give great contributions for public relief and engage in public works.

So history as well as reason reveal that the southern constitution of domestic slavery is the only institution that safeguards the spirit of equality among freemen without giving rise to "the dangerous vices of . . . legislative intermeddling between the labourer and the capitalist."

The occupations of men necessarily create distinctions in society. It is against the nature of man and the voice of reason for all employments, even when equally well performed, to confer equal honor. Differences in occupation inevitably create aristocratic feelings; and the hirelings, the dependents, cannot and will not be treated equally by their employers. Thus in a state having universal suffrage

but without slavery, the choice is an aristocracy of wealth or agrarianism. But where slaveholding prevails the spirit of genuine republicanism may exist without eventuating in corruption or agrarianism. Political powers are taken from those who might abuse it and are placed in the hands of the judicious.

On the other hand, the relations between the capitalists and laborers in the South produce more genuine attachment than elsewhere, except when disturbed by the "calumnious falsehoods and hypocritical promises" of the abolitionists. The slave does not know overwork, starvation, and unemployment even if it means that the master eats into his capital. It would be unprofitable for the English capitalists to buy the liberty of their workmen and support them, as do the southern slaveholders. Since the slave finds all blacks in the same condition, he does not covet the rich man's fortune nor envy the happiness which liberty imparts to the patriot, but, freed from care and necessity, he identifies all his interests with those of his master.

Thus the South has no Manchester or Smithfield riots. "Therefore let us cherish this institution [of slavery] which has been built up by no sin of ours—let us cleave to it as the ark of our safety. Expediency, morality and religion, alike demand its continuance. The day will come when the whole confederacy will regard it as the sheet anchor of our country's liberty." So he warned the North and Jackson of the danger of centralization and dismemberment and held out the threat of secession and war.[37]

As he undertook the office of president and welcomed the incoming students of William and Mary in the fall of 1836, he warned them as "slaveholders and the sons of slaveholders" that "the crisis of revolution is at hand." The opinions of the world were never more unsettled and clashing. "Monarchists and democrats, conservatives and radicals, Whigs and Tories, slaveholders and non-slaveholders are all now in the great field of contention." Virginia's domestic institutions are being questioned by "the meddling spirit of the age." Therefore the students must be thoroughly indoctrinated with the true principles, so that "if the demon of fanaticism shall at last array its thousands of deluded victims" to destroy our institutions, "we may rally under our principles undivided and undismayed, firm and resolute as the Spartan band at Thermopylae; and such a spirit, guided by that intelligence which should be possessed by slaveholders, will ever ensure the triumph of our cause." [38]

Of course, women were also in a dependent status because of their inferior physical strength and their child-bearing functions. Dew explained this in a series of anonymous papers on women in 1835. The "occupational" difference gives rise to qualities of mind that fit them for their subservient roles. So Dew was led into an examination of the "laws of mind" for support. "The principle of association or suggestion as it is termed by more recent writers is the great and controlling . . . law of the mental frame," he wrote. "This principle enables us to supply all our wants, to adapt means to ends, to call up the knowledge of the past, to look into the undeveloped events of the future." But, given the "occupational" differences, women respond to certain laws of association more easily than men, and less easily to others. Thus they are better in the laws of association by resemblance and contrast, and so they can be characterized as possessing "common" or "sentimental" and "poetical" minds.

But men more than women associate by the "law of contiguity" in time or place, which is the great principle of cause and effect. Thus men are prone to have more "philosophical" or "abstract" minds. Lacking this kind of mind, women can hardly aspire to be economists, for example, for the "political economist delights to look to the nations of the earth, composed of vast multitudes of individuals; to scan the great variety of occupations which the endless division of labour has generated, and to see how the almost countless millions of inhabitants, although each one is busily and selfishly engaged in the pursuit of his own little narrow schemes, are nevertheless, when we embrace the grand whole, working in a perfect harmony and accord, as if the spirit of unbounded wisdom and universal philanthropy guided every head and touched every heart." [39]

By 1846 Dew was somewhat more optimistic about the country. The good Democrat Polk reigned, and Texas was annexed for slavery. He wrote in his comprehensive treatise on history that the greatest pressure on our institutions will occur when the haves and the have nots are sharply demarcated, when thousands shall be born who can only expect to live and die like their fathers, barely able to earn enough to support life and nothing for "accumulation." When that class forms the numerical majority, as it did in France, the reign of terror threatens. But nothing is better calculated to prevent the evil than that much slandered institution of the South. Doubtless he little realized how prophetic he might be when he added, "If enlightened philanthropy . . . should be called on, in full view of all

the evils and all the benefits resulting from the French Revolution, to render . . . a final judgment, we can scarcely for the moment doubt that it would be in favor of the revolution and all its attendant horrors, if these were *the only condition* on which the benefits could be obtained." [40]

Dew died in Paris while on his honeymoon at the relatively young age of forty-four. If Dew furnished the pro-slavery forces with one of the most completely filled armories from which to draw arguments, he also made it easier for abolitionists to prove that the South would not take any serious steps to eradicate slavery. In fact, the South had passed the stage where it apologized for the institution and was henceforth to be more aggressively on the offensive to spread the boundaries of slavery both in thought and in action.

## N. BEVERLEY TUCKER: THE THOMAS CARLYLE OF THE SOUTH

Dew left behind him to continue his tradition George Tucker's cousin, N. Beverley Tucker. He had a wide range of learning. The world's best literature was open to him; he even translated Goethe. One of his accomplishments was the writing of social novels. Tucker was the son of the celebrated Jeffersonian judge, St. George Tucker, who also had been professor of law at William and Mary.[41] One brother was Judge Henry St. George Tucker, who was professor of law at the University of Virginia. But the one of whom Beverley was proudest was his half-brother, that eccentric genius, John Randolph. Randolph, who inherited great wealth, befriended him materially and spiritually.

After graduating from William and Mary in 1801, Tucker went into law, but he was not too successful. He fought in the War of 1812. In 1815 he settled in Missouri, where he became a judge. He constantly boasted of his successful efforts to arouse the local people from their apathy over whether Congress should disallow slavery in Missouri. He urged them to insist on the right of self-determination for the territory. The Missouri Compromise, he always insisted, was the root of all evils.

He acquired extensive holdings of lands and slaves. He was thwarted in one effort to increase his investments. During Jackson's Administration, "N. B. Tucker, Esq.," in behalf of several citizens of Missouri, had applied for a grant of public lands in the state to make "an experiment of raising forest lumber in the prairies," ostensibly to pre-

vent fires. But the Senate Committee on Public Lands recommended its denial. The objective of preventing fires, it stated, requires only that those prairies be covered by timber by the operations of nature. Secondly, the government plan of disposing of the lands in small quantities and thereby multiplying the freeholders interested in preventing the fires would better achieve the object than placing the land in the hands of one or a few owners.[42]

Tucker returned to Virginia in 1833 to be with the dying Randolph. He felt it incumbent on him to carry on Randolph's work, which also meant carrying on his quarrels. So in 1834 he became professor of law at William and Mary, which, like the other professorships, paid $1000 a year. He was expected to lecture on "the History and Principles of the Constitution of Virginia, and the United States and the law as it exists in Virginia, and on Natural and National Law and Government." The textbooks included Blackstone, *The Federalist*, Kent's *Commentaries*, and naturally Madison's Virginia Nullification Resolutions of 1799.

Jackson was, he was sure, a despot. If the South was to be saved, it would not be by Jackson's heir, Van Buren, but by Calhoun. So Tucker, with one of Jackson's former journalist supporters who had shifted to Calhoun, published in 1836 the first of his novels, *The Partisan Leader; a Tale of the Future*, to sow dissension in the Democratic Party and plead for a southern confederacy. Apparently taking a lesson from his cousin George Tucker, he had it published at a distance from home, in Washington, under a pseudonym, "Edward William Sydney." Even the publisher used a pseudonym. The date of publication was given as 1856, a time when the South was supposed to have completely broken away from the Union. The novel tells how that revolution began in 1849.

Van Buren had just finished a third term in the presidency. Of course, he was the leader of the "northern oppressors" and he had secured a third term by the lavish use of federal patronage in Virginia. Using the same tactics, he was on his way to a fourth term and despotism. The forms of the Constitution had been observed, but substantial liberty had long been destroyed, and the southern states were more than ever the prey of the northern majority, controlled by the abolitionist and manufacturing interest. But the other southern slaveholding states had long recognized their danger and had ended their status as colonies of the North by seceding and forming a southern confederacy. They immediately made a reciprocal trade

pact with England which gave them unparalleled prosperity. At the same time, this pact in effect served notice on Van Buren and the northern sectional majority that if they attempted to coerce the southern states, England would be on the side of the southern confederacy. The South quickly became the most flourishing country on earth; England's factories were multiplied, her revenue increased by an increase of consumption and resources. The power of her envious rival, the North, was broken, and its artificial prosperity based on the plunder and oppression of the South was ended forever.

Virginia, the natural leader of a southern confederacy, was, of course, being more oppressed than ever by the loss of her foreign markets. The economic pressure was beginning to make her people restive. But her natural leaders, her gentlemen, descended from the gallant cavaliers, did not appreciate that the true cause of Virginia's economic depression was the despotic designs of Van Buren. Things became promising when a young Virginia gentleman, an officer in the United States Army, began to have a glimmering of the truth. He resigned his commission and hastened over the border to North Carolina to get more light and plans from a great South Carolinian, "the Stranger," and his colleague, an equally unselfish Virginian, "Mr. B."

As the Virginians awaited the arrival of "the Stranger," they overheard a conversation between three North Carolinians. The "dapper air and delicate hands" of one bespoke "one accustomed to bowing across a counter over lace patterns and painted muslins"; another was "a coarse, strong man, with a bacon-fed look, plainly, cheaply and untastefully dressed, in clothes which by their substantial goodness, indicated at once the wearer's prudence, and the length of his purse. His voice was loud, strong, and self-important. His whole appearance showed him to be a substantial planter, ignorant of everything but corn and tobacco." A third was a rough waggoner.

The coarse planter did not like the idea of the Virginians' revolting. North Carolina and the other southern states outside Virginia had shaken off "that damned rascal Van Buren," made a good government and good treaties. Under the present state of affairs, North Carolina planters get thirty dollars for tobacco, but Virginians only get ten. So Virginia would gain if they join us, and we lose. That is not all, added the merchant. The Virginians, high-minded people, are welcome to come to North Carolina and buy goods cheaper than

they can at home. "Though you may be sure, neighbour, I don't let them have them as cheap as I sell to you." But as for letting the Norfolk merchants have the advantages of our treaty with England, this is another matter. As soon as the bar before the North Carolina port is deepened, our rising town, "Commerce," would be far greater than Norfolk ever was; but if Virginia joins the confederacy, most of this trade would return to Norfolk, and they might even get their goods cheaper than here. The waggoner added that he would even be worse hit than they if Virginia joins, for the "damned railroad" would break up his business.

The planter told the waggoner that if the waggoner abstained from hauling Virginia tobacco to "Commerce," North Carolina tobacco would sell much higher. "Well," said the waggoner, "it is all one to me. . . . You may just pay me the same thing for not hauling that they pay me for hauling, or only half as much, and I will not haul another hogshead."

The young Virginian said to his friends that he was as much surprised at the facts stated by the three despicable individuals as by their "unblushing display of selfish meanness" in seeking to monopolize enviable advantages. He had thought heretofore that in the relations between Virginia and North Carolina, Virginia had all the advantages. This was true, was the reply; for in the way of commerce, nature has done nothing for North Carolina and everything for Virginia.

The cause of North Carolina's prosperity, as of the entire southern confederacy, is free trade, and this has been obtained by "offering to other nations terms most favourable to their peculiar and distinctive interests, in consideration of receiving the like advantage. . . . A trade perfectly free, totally discharged from all duties, would certainly be best for all." But since the impost is the best source of revenue, the tariff is not to be completely eliminated but reduced to a tariff for revenue.

Any doubt that Virginia would be welcomed by the southern confederacy was eliminated by the fact that high-minded gentlemen throughout the South would give themselves and their money to help Virginia; the three North Carolinian mercenary wretches overheard were not typical of southerners in their occupations. The merchant was a "Yankee tin-pedlar, turned merchant," and the other two were the "worst specimens of their respective species."

The young Virginian was finally convinced, and plans were made

for an uprising. The revolutionists were vindicated in their belief that they could rely on their slaves as military bodyguards and the like. The characteristic of slaves was "proud humility," not the "servile sulkiness" of northern servants. The "calculating selfishness" of the abolition-minded Yankees cannot understand the "disinterested devotion of the slaves." This attitude of the Negroes could be explained only on the ground that there "must be something by nature, in the moral constitution of the Negro, intrinsically different from the white man." True, it involves rejecting the Bible, which states that "all are of one race." But if "I am put to choose between rejecting the evidence of my own senses or the evidence of God's word, or the philosophy which teaches that man is to be considered as a unit, because all are of one race, philosophy must go by the board."

After Virginia joined the confederacy the town of Commerce of course went down with the necessity which gave rise to it. It would have doubtless become of "some consequence, had not the union of Virginia to the southern confederacy laid the foundation for a degree of prosperity in Norfolk, which bids fair to make it the first city on the continent."

At the time the novel was published there was little justification for its stressing the tariff and slavery. The Compromise Tariff of 1833 was in operation, and it was accepted by the Calhoun forces as "a revenue" tariff; and as for slavery, the Missouri Compromise was supposed to put an end to any serious political discussion of the matter.

But Tucker, like other ardent followers of Calhoun, could not forget that Van Buren had helped to estrange Calhoun from Jackson to make himself the heir of Jackson. As the hero explains the President's "outrage" against "one respected and beloved"—"the Stranger" from South Carolina—"left nothing for reason to do" than fly to arms for the freedom of Virginia.

Calhoun shortly afterward supported "Martin I," but Tucker stayed in the camp of the Whigs. Tucker had a good reason for opposition to Van Buren—namely, that Van Buren appeared to be lukewarm to the annexation of Texas, which had declared its independence of Mexico in 1836 and established slavery. Mexico refused to recognize the independence, but Tucker did, and he acquired large holdings in that state to which he sent many of his Missouri slaves. Naturally, and he was quite frank about it, annexation to the United States would strongly fortify his land titles and establish the

"credit" of Texas. He preferred Clay to Harrison for the Whig nomination in 1840 because the Kentuckian had led the fight against the prohibition of slavery in Missouri and commended Tucker's local efforts.

When Tucker had to get down to serious business, he attacked the hard-money radicals, as he called supporters of sub-treasury. This he did most effectively in 1841 in a lecture on *The Nature and Function of the Commercial Profession* before the Richmond Mercantile Library Association. He called on all merchant clerks to follow the great wisdom of the Yankee merchants, especially of Massachusetts. He deprecated the "attacks" on the merchants, for commerce is the principal agent of national wealth and greatness and the force that brought civilization to benighted countries. The merchant must guide and regulate credit and exchange, nurse public prosperity, and advise treasury officials and statesmen. So in England, when the authorities are faced with a great problem in commerce and finance, they go to the Royal Exchange and listen dutifully to the great merchants as the "teachers of inspired wisdom." Every part of the world must rejoice that Old and New England have had the wisdom to base their commercial establishments on the great commercial truth that credit, by commanding and concentrating all the available capital and anticipating even that not yet existing, can achieve tasks impossible for capital alone.

But the "Jack Cades of modern radicalism" rage at the credit system and eagerly insist that "you shall not be allowed to transact your affairs without using costly counters of gold and silver though the cheaper material of paper, founded on credit and confidence, may meet your purposes better."

No sooner was Tyler President than Tucker offered him a proper national bank scheme which to a certain extent was embodied in Tyler's Exchequer Bank proposal. He proposed that the state banks remain dominant under the control of a central bank or board founded on the authority, contract, means and credit of the states, directed by and responsible to them.

In a series of open letters to President Tyler in the *Richmond Enquirer* in 1841, signed "A State Rights Man," Tucker declared that sub-treasury might have been satisfactory if the selection of deposit banks had been left to the states and the privilege denied to the bank of any state whose banking capital bore more than a certain proportion to her population. Then if the banks were associated there would be

nothing to hinder requiring that they take each other's paper at par and enacting other regulations that would enable government to effect distant exchanges without loss. But the only condition imposed had been the hard-money humbug.

His final remedy would be a bank organized by the states. Its funds would be supplied by foreign loans, and these would be secured by the public lands that would be coming to the states. Since the bank could lend money at a higher rate than the state could borrow abroad, the debt would be paid off in a short time. Of course, the states which have repudiated their debts must quickly realize the heinousness of their offense if the scheme is to materialize.[43]

He also informed Tyler that the government's financial problems might be solved by "a judicious increase" in the national debt, and not by crushing taxation to pay off temporary loans and expenses. Of course, in Tucker's philosophy, opposition to a national debt came from the ignorant democracy. "The supposed analogy between the effects of public and private debt renders the idea of the former so odious to the multitude as to make it dangerous for any man to hazard his popularity by saying a word in its favour."

England is vastly richer because of the debt incurred for worthwhile improvements.[44] Among such "improvements" for which a debt ought to be incurred by the United States, Tucker had in mind the assumption of the Texas debt, which was a stumbling block to its annexation. In fact, the assumption would not really cost the United States anything; the tariff duties on goods entering through Texas ports would pay it. To expedite matters, he thought he should be made an official or unofficial representative of the American government to Texas. He would not deny, he said, that he was "influenced by his own large interests" in Texas. But, "while this enhances my desire for justice to that country," it would decide him to leave the mission to other hands if he did not feel that he was the most competent person for the task.[45]

The mixture of pecuniary and aristocratic ideals can best be seen in his last novel, "Gertrude," which appeared in serial form in the leading journal of respectable southern opinion, the *Southern Literary Messenger*, in 1844–1845. Good—that is, aristocratic—families might lose their wealth if they did not appreciate that only by following sound economic principles could they avoid the disaster of the inevitable commercial crisis.

The novel's simple Dr. Austin, who was of course of good family, had been drawing a good income from a plantation aside from dividends on bank stock and from his practice. He decided to retire and buy an additional piece of property for a substantial home. He could have paid for it by selling his bank stock, but people at the time felt that investment in bank stock was the surest guarantee of a certain income to their families. Besides, dividends were large in proportion to the selling price, for the idea then prevailed that those who wished to share in the profits of banking, instead of buying stock at an advance, had only to get a new charter and set up for themselves. It made no sense to sell at par stock which yielded 10 per cent, while loans could be secured at 6 per cent. So he gave a mortgage to Mr. McScrew. He expected to repay the loan primarily through the collection of old debts. But he had married a widow accustomed to extravagant living and not to appreciating that one's expenditures should be according to income. So the funds collected from clients and other sources went for extravagant improvements. But the time was "the commencement of that series of political commotion and social revolution which first tempted many poor men to imagine themselves rich, then caused others who had been rich to discover that they were poor, and finally made it impossible for many to know whether they properly belonged to the one class or the other."

The good doctor pitied the sufferers, but as he was no politician or political economist, "he did not see that they were of any importance to him unless indeed they had something to do with curtailed dividends and low prices of produce." He was soon affected by both, and he thought of selling his stock to clear his debt; but the stock was now selling much below par, and his friend the president of the bank told him the bank was sound, and it would be folly to sell.

But in this period of universal embarrassment, the stock became valueless. Thereupon Mr. McScrew demanded payment of the mortgage. He "was one of those sagacious men of cool heads and cool hearts, who having long observed the fluctuations of the money market, have become quite familiar with those signs of the times which distinguish the time for selling from the time for buying. Men expert in this knowledge may be always seen to buy when everyone else is selling, and to sell when everyone else is buying. They rarely buy except to sell, and they often sell with a purpose of eventually repurchasing the same identical property." So McScrew preferred

always to sell partly for cash and partly on mortgage. He knew that a depression must always occur, and the debtor would then be at his mercy. However prosperous the purchaser might be, "no one could foresee who might sink and who might swim, in the universal wreck that attends what at this day is unfortunately too well known by the name of a pressure. These things, though not quite so regular in their visits as the ague and fever, yet have their periods, which men skilled in financial nosology know how to calculate with reasonable certainty. That sooner or later they will come is a matter of which the knowing ones have no doubt." When they occur, property on which only half the price was paid "may come under the hammer, and may be bought in for the other half."

McScrew always knew Dr. Austin's affairs better than the doctor himself. Seeing that the funds for paying the mortgage had been wasted on gaudy improvements and that the bank stock had not been sold at the proper time, he pounced on the doctor.[46] The good doctor was, of course, saved by a southern gentleman, a man of "respectable talents and unquestionable honour, handsome, of a high aristocratic family, agreeable of manners, and of great wealth." In his feelings there was consequently nothing mercenary.

All the while, in classroom, letter, and published article and book, Tucker kept up a running defense of the expansion of slavery. He was sure, of course, the opposition came from the democracy and its demagogues.

The early difficulty of reconciling the "biblical and philosophical" view of the unity of the human species with the "facts" of slave society Tucker now met with what had become the accepted southern anthropological view—that there is a diversity of species.

But each race is useful to the others, for the general improvement of all. So the white man, realizing that the black might be useful to him, engaged in intercourse with him with the resulting enslavement of the black for immediate profit. The motive was mean and sordid, but the result was the improvement of the inferior race. Even the spread of Christianity owes more to slavery than to the Apostles.

Slavery always exists regardless of the name, for it originates in nature's decree that labor is the price of subsistence and the correlative that subsistence is the wages of labor. Cost of production is the brazen collar that makes the laborer "the born thrall of necessity." His wages are never greater than "the wants of his own nature but for a purpose to which the laws of that nature makes it sure that he

will apply them, the reproduction of *just so many* others . . . as the exigencies of society may require to follow in the same dull round of labour." He pointed to England, the most prosperous country, where the masses were worse off than the slaves. To curb discontent, the government must install a more rigid police. But effective policing means confiscating taxes and regulations which destroy all freedom without ending turbulence.

The problem could easily be solved if England used black slaves as laborers. The large military force could be replaced by a small private force under the control of the employer. Half a dozen free laborers could check the operatives of a large establishment, and no assemblage of multitudes from different establishments could occur. At the same time, differences in color would also prevent a combination between the laborers and the class just above them.

Only in a slave society can universal suffrage be successful. It allows only a few of those who do not respect property to vote, and the poorest white shows his gratitude to the wealthy by electing them to office. At the same time, the institution provides the leisure for developing the moral virtues and capacities for self-government. Thus the scheme "of order and freedom" of the "most profound philosopher Burke" would be achieved. A slave society is in substance a limited monarchy where the great barons, as patrons of the people, heal its wounds and thus prevent the tendency of government to change.[47]

Tucker saw a new day dawning in 1850 as Calhoun threatened secession if slavery were barred from the territories acquired from Mexico. Calhoun died before Congress took action, but Tucker saw even better prospects in the Nashville convention of delegates from nine southern states called to support Calhoun's views. Tucker came as a delegate from Virginia and fully lived up to his reputation as "Old Man Eloquent." As in *The Partisan Leader*, but now under his own name, he bluntly stated that the "blind and violent majority of the North" must be answered by secession and the forming of a southern confederacy. Because of the need for cotton, the North would not dare to prevent the South from seceding, nor would European powers interfere.

The statesmen of England and other manufacturing countries know that if their looms are idle for a month, Fourierism and communism will destroy their whole social fabric. That is why they maintain the long unnatural peace, a peace of suppressed hostility.

Their redundant population calls for the letting of blood, but in the cant of the day, pacifism is "the spirit of the age" because of the immense fixed investment in manufacturing and the great populations dependent on them for bread. Thus the whole civilized world will prevent the North from lifting a finger against the South.

But whereas in *The Partisan Leader* he pleaded with Virginia to join the confederacy, now he called on Pennsylvania to join. Pennsylvania is often on the verge of bankruptcy because, while the tariff protects her against the competition of Europe, it does not protect her against the superior skill and capital of New England. Take away Pennsylvania's southern market and she will be sunk. Even now Massachusetts begrudges her the protection which alone enables her to hold up her head. But if she should join the southern confederacy, she would be its workshop, and a confederate 20 per cent revenue tariff would be worth more than the existing 40 per cent tariff.[48]

Leaders who opposed his extreme measures were either demagogues or, what was the same thing, had been bought out by the Yankees. He had expected much from Georgia, but in control at the time were such opponents of the Mexican War and secession as Alexander Stephens, who later was vice-president of the Confederacy. So Tucker bemoaned, in correspondence with that fellow spirit, William Gilmore Simms, that Georgia was being filled with "Yankee traders," had been bought, and "her price is in the pockets of those she trusted." Georgia is a democracy, he wrote, and "what are our democracies but mobs?" Virginia is just as bad. "She is sunk in the slough of democracy, which has no sense of honour, no foresight, and is never valiant but against its own instruments." He recalled that he had vowed in 1820 that he would never rest until the Union was shattered. "Time was when I might have been less desperate, because I could have sought refuge under some emperor or king. But all such refuges are broken up, and there is no escape from the many-headed despotism of numbers, but by a strong and bold stand on the banks of the Potomac. . . . If we will not *have* slaves, we must be slaves." South Carolina is the great hope, for she is the only state "in which the statesman had not been degraded from his post." But South Carolina's gentlemen must act quickly or everything will be lost.

He got more fantastic as he called for a permanent convention of the southern states with unlimited powers, including that of appointing a dictator. "Such things call out men worthy to rule and show the

people their value so that the evil day of democracy may be indefinitely postponed." [49]

He wrote to Thomas Carlyle for support. Along with most of the southern thinkers of that day, Tucker had enthusiastically praised that Tory critic of the "dismal science" for his denunciations of the "anarchy" of "free society" and had used his works in defense of slavery. Carlyle answered that, while abolition was about the worst solution of the slave problem, the southern system of slavery for life was not a completely just one. There should be a definite way by which a slave could earn his freedom. To this end, the great critic of the "base materialism" of *laissez faire* in economics declared, the southern states ought to have a law by which a Negro on producing "a certain sum of money possible from the thrift and foresight of a superior Negro, can demand his freedom." [50]

Tucker's despair doubtless would have been greater had he lived to read Carlyle's reply. He died in 1851 with the South applauding him as the grand old man of Virginia. The philosophy of Jeffersonian democracy had turned into Tory feudalism with a vengeance.

## THE HISTORICAL APPROACH OF GEORGE FREDERICK HOLMES

N. Beverley Tucker's mantle as the leading southern social philosopher passed to George Frederick Holmes (1820–1897).[51] Holmes's cast of mind was like Colwell's. He had Colwell's ability to shout about the evils of capitalism and the need for reform, and then find the solution in something not unlike authoritarianism.

Holmes was born in British Guiana, then a slave colony. His father was a judge advocate and the author of books on foreign exchange. As an infant he was taken to England. In 1837 he won a scholarship to the University of Durham, but in less than a year he was forced to leave for Quebec, practically penniless, because of a "family quarrel arising from a trivial incident." From Quebec he drifted to Philadelphia, Virginia, Georgia, and South Carolina, doing odd teaching. He studied law but found he had little taste for it. He turned to writing for leading southern journals, won the friendship and admiration of such respectable figures as Calhoun, Hammond, and Lieber, and married a daughter of powerful Governor John Floyd of Virginia. Despite these contacts, he had a hard time for twenty years and made his living in good part from journalism.

Holmes wanted a college post. The subject made little difference,

for his talents covered every subject, at least so he and his admirers thought. Politicians unsuccessfully sought for him the professorship of classics at various southern universities. In 1846 he did obtain the classics chair at insignificant Richmond College, then just being started. But before the year was out he was preparing to go to Wisconsin to practice law. Backed by former President Tyler, however, he obtained the chair of political economy and history at William and Mary, which paid $1000. But after less than a year's service he resigned, following a quarrel with the Board of Visitors over a professorial duel. His prospects brightened when he was made the first chancellor or president of the University of Mississippi in 1848. A few months of student disturbances and other afflictions soon brought this job to an end. He spent most of the next decade on a farm in Virginia. He hated this "servile labour" for money, but it was necessary for subsistence, he said, and for the leisure for science. This leisure consisted primarily in writing for journals and newspapers. Holmes read widely if not carefully, not even disdaining to peruse the works of the "small communists and socialists" of France "or even of their still more feeble emulators in this country." [52]

Calhoun, Lieber, and Beverley Tucker in the United States, and Carlyle and Comte abroad, were most influential in his thinking. Comte, he said, had added to science the field of sociology "which I had hoped to make my own prize." Calhoun, living or dead, commanded his highest admiration. While Lieber was in South Carolina, Holmes praised him as one of the greatest political philosophers of all times, and of course Lieber returned the compliment. Colwell he never mentioned, but then Colwell was a northerner and an avowed protectionist. Yet his technique was more that of Colwell than any other man, and Holmes even had a few surreptitious good words to say for protectionism.

As Holmes looked over the world and Europe in particular, he saw many evils—social, political, and scientific. These have resulted from disregarding the precepts of accurate reasoning. The science of logic and its affiliated branches of ethical philosophy have been progressively deteriorating for the last four hundred years, he said—that is, practically ever since the discovery of America and the pouring into Europe of vast amounts of specie. This vast treasure unleashed the spirit of material gain, made man materialistic-minded and interested solely in increasing production and acquiring money. This very application of mathematical studies serves to conceal the

source of the difficulty. With the increase of wealth has come a concomitant increase of misery among the masses; social distress with commercial prosperity; the increase of commodities with a diminished capacity of the masses to purchase. The march of invention in the nineteenth century has made capital supreme through the introduction of machinery. The growing free production led to increasing population. Labor became separated from and a slave to capital; and with capital embodied in machinery, large-scale establishments, and financial speculation, the result was a routine of excess production and chicanery that increased profits to the capitalist, destroyed the middle class, and diminished mass consumption. The multitude cannot survive under the complicated financial machinery which grinds them at every turn. The system leaves the masses, who "have no pecuniary interests, as they neither have nor can have any capital, to the sole protection of laws operating against them."

The true source of the evil is that indisputable authority was swept away by the universal passion for gain. The doctrine of individualism and equality became dominant. All the authoritative checks developed in the course of the institutional growth of the feudal era were lopped away by the so-called progress of freedom, the so-called march of intellect; all the obligations and interests contingent on ownership were dissolved. All distinctions other than that of rich and poor were abolished, and a libertine freedom given to all. Thus a revolutionary temper has infected society, religion, literature, and science. The ignorant, undisciplined, turbulent multitude does not recognize the necessity of submitting to the restraint of settled order. So by means of citations from Carlyle, he managed to convey the idea that force may be necessary to achieve the regeneration if the gentler means of religion do not prove effective.

The discrepancy between prevailing institutions and men's needs is first of all to be overcome by an earnest Christian faith and the performance of Christian obligations, not on the expedient ground of profit, but as the fulfillment of God's commands. Foremost among the duties is the obligation to labor. It is erroneously contended that labor can be made pleasurable, but labor is a curse imposed by God, not by man.

Legislation to check greed and speculative activity directly would merely tax the industrious for the benefit of the lazy. Such reforms as public charity, reduction of hours, exclusion of child labor, gov-

ernment employment, and old-age pensions cannot be effective because, as blows at property, they would shake the entire social fabric.

Holmes expressed formal approval of peasant proprietorship and sale of public lands in limited amounts to bona fide settlers. But the limit should be sufficient to attract and utilize capital. Dividing large estates would result in a bad division of labor and a lack of capital because it would substitute a mass of miscellaneous owners for enlightened landowners with large capital.

The "villainous" trade unions with their strikes came in for indictment. Paupers, beggars, and systematic idlers, thanks to the philanthropy of legislatures and charitable societies, are treated far better than the industrious workingmen who must bear the burden of their support through taxation. If practicable legislation to force them to engage in profitable employment cannot be passed, let their situation be left as God leaves it, "work or die." It is not a hard choice, even though the difficulty of obtaining work may render it precarious. Consequently the safety of the people of Europe lies in a speedy return to the obliterated sense of duty. Men's condition is not to be raised by interfering with property and contract, but by completely changing the tone of the community and the spirit instead of the letter of the law.

Nothing but discord and confusion is likely to result from a "preordained system of government interference." *Laissez faire* hurries along its tendencies of monopoly and agrarianism, but the restraints are to be imposed by the silent and safe operation of circumstances.

On the other hand, one of the best established principles of political economy, free trade in foreign trade, may be incapable of "salutary application in a complicated society where the disturbance of vested interests may be a more serious calamity than could be repaired by the benefits to be derived from a new system" and produce such a stagnation or derangement of productive industry as to be irremediable. The basic condition for gradual reform is a rise in profits. From this standpoint, the recent great California gold discoveries are a blessing, not a curse, to Europe, provided there is an authoritative political structure. The phenomena resulting from monetary changes are relatively insignificant if man's sentiments are purified and made the basis for right action. But the vast and rapid increase of the precious metals will be of great extrinsic aid, not only in providing the advantages of an increasing medium, but also in in-

ducing immigration to the United States and thereby lessening the competition of labor in overcrowded Europe and reducing the influence and importance of wealth.

The *laissez-faire* political economy is valid within its sphere. It is true for the increase of wealth, but not as a principle of government and social relations, for, as "political individualism" or "the sovereignty of the individual," it lets in all anarchical and agrarian doctrines. Thus Spencer is a vitiated Proudhonist, placing reliance on free competition in all phases of life instead of merely in the acquisition of wealth. *Social Statics* should be popular with demagogues and red republicans, for it recognizes an "unrestrained democracy as the only form of government." The basis of Adam Smith's economics is Locke's individualistic social-contract theory which Lieber has demolished; but, while it is not the necessary philosophy, it is the ordinary and appropriate theory of modern social action. The whole science is not to be condemned, only its aberrations and misapplications in the case of slavery.

The conclusions of political economy always should be considered as tentative and hypothetical, as part of a larger whole of authority, as Comte taught.

On the other hand, Holmes, like Colwell, declared that the socialists were the first to recognize that society had outgrown the accepted formulae, but they are abstractionists not interested in the slow, laborious research necessary to elucidate the true law of development. Unaware that society is a delicate and complicated mechanism, they do not patiently study the almost insuperable difficulties of change. Failing to recognize that evils are due to imperfect human nature, they fail to insist that we submit ourselves "to the control of those institutions which have been gradually framed by the spontaneous action of successive generations of society." Instead, they "attack what is oldest and most cherished in human institutions."

Like Colwell, Holmes could say that the works to read seriously and follow on our prevailing "anarchy" were those of Tories who have been "the most strenuous supporters of past social arrangements and still represent the sober, conservative sense of their respective communities."

But Europe—that is, Teutonic Europe—seems to be doomed. Her ruling classes and institutions have proved effete and unable to adjust to the circumstances of the day. This is shown by their inability to repress the never-ceasing clamor of the masses. Conquering Russia

evidences a new race, with untrained vigor ready to take the torch from the effete branch of the Teutonic race. Only America can successfully compete with her, Holmes argued, for we have as yet no fear of overpopulation; and our adventurous, ingenious, enterprising spirit offers the prospect of a long career and an extended dominion. Thus as Russia and Pan-Slavism seize the strength and resources of Europe, the United States will continue to cover the western continent and increase in wealth until the two conflicting systems enter into a final conflict. But at present Mexico has to be absorbed and shown decency and respectability by the United States. Cuba is to be acquired, not perhaps by purchase or filibustering expeditions, but by an indignant internal uprising, then the maintenance of her independence by us, and finally annexation at her request. Then the West Indies and Central America may come in. Energetic man must appropriate the blessings, and the United States by gradual addition of territory and gains from commerce will eventually snatch supremacy on land and sea from England.

Providence appears to direct by natural law that the South American commerce should be with the United States. Freedom of commerce should be the first maxim of the South American countries. Modification of the great principle of free trade may be necessary in mature nations which desire to diversify their industry, disguise taxation, and understand the negotiation of commercial treaties. But for infant nations, especially purely agricultural ones, the profitable policy is free trade and direct taxation. The South would monopolize the traffic; manufactures would arise in the South to take advantage of the markets and raw materials.

The second great duty of South America is to encourage immigration by land donations. This would bring the planters, the genuine noblemen of the world, for their pursuit is the foundation of all. They would force habits of industry on the benighted people. Some critics of the extension of slavery to the recently acquired territory argue that Brazil will provide the "safety valve" of the Union by the removal of slaves to Brazil as their value falls. But when this necessity occurs, the South will smash the cordon, for slaves work more and cost less than free labor and never strike for wages. Since the South needs an increasing number of slaves for production, it might even reopen the slave trade. The North should not object because immigration provides its labor supply.

Holmes joined the leading southern thinkers in maintaining that

slavery was a positive good. It is bad logic, said Holmes, to argue that slavery is a necessary evil, for it has been one of the principal arrangements of humanity ever since society took on a stable character. The very universality of the habit of slavery proves that it is natural. Emancipation separates labor from capital, and the resulting competition of redundant population creates class antithesis by giving capital all the surplus and labor starvation and misery. Its temporary disappearance at any time is due to selfish pecuniary interest. Hired labor becomes more profitable than compulsory labor, and slavery changes into proletarianism with labor an object of purchase and sale.

Thus European economists and the abolitionists erroneously denounce slavery as degrading labor and destroying incentive. Slavery is the effect, not the cause, of the contempt for labor. The ancients openly and honestly avowed their repugnance for labor, but the moderns praise labor while secretly they have the same views. The ancients held direction and superintendence above manipulation and manual labor; so the moderns also give a preference to the capitalist directors of large-scale production over laborers who merely execute their designs. Small gains are viewed as sordid gains. The operations of the Rothschilds and Barings are held in higher admiration than the toil of a carpenter or blacksmith. Why are the professions, government office, trade, manufactures, speculation, and the "liberal and intellectual occupations" pursued by young and old rather than the cultivation of the soil and handicrafts?

Called upon by the *Southern Literary Messenger* to write a review of Harriet Beecher Stowe's anti-slavery *Uncle Tom's Cabin*, "as hot as hell fire, blasting and searing the reputation of the vile wretch in petticoats," Holmes rose to the occasion.[53]

The accuracy of Mrs. Stowe's facts will not free her from libel, for the book causes dissension, sedition, and murder, and stifles the amelioration of the Negro. "Every holy purpose of our nature is misguided, every charitable sympathy betrayed, every lofty sentiment polluted, every moral purpose wrenched to wrong, and every patriotic feeling outraged, by its criminal prostitution of the high functions of the imagination to the pernicious intrigue of sectional animosity and the petty calumnies of willful slander."

The conclusions she draws from her facts, granting they are true, still would be false, for the evils of slavery are due to the cor-

ruption of human nature and are incident to all institutions. The desire for wealth has been accompanied by the awful sights in Boston and Lowell, and rascality has been engendered by greed; but should money and the desire for wealth be abolished? Political economy's solution of the labor question, the wage system, is simply "the canonization of the existing order of human development" which degrades human capacity by applying a high order of ability where an inferior one like slaves might be used.

Slavery, by eliminating the separation of labor and capital and giving capital ownership of labor, is the solution for the irresponsible peonage imposed by capital in free society. The laborers would be well supported, the slave owners would be rapidly enriched, and population could be systematically restricted to the comfort of all, instead of its excesses causing convulsions under the impact of the redundant productions of machinery.

Slavery is not merely to be restricted to naturally inferior peoples such as the blacks; it might also be imposed on people of equal ultimate capacity with their masters for the good of civilization and both classes. Servitude may be the only means of disciplining, educating, and profitably employing masses retarded by the condition of their previous life and also to restrain those who, having run their course of civilization, are effete.

What is needed are leaders like Calhoun. His political deductions have the prophetic character of exact science, but they are so rapid and spontaneous and so far in advance of positions for which the people were ready that he was unfairly accused of vacillation and inconsistency.

In defending Calhoun under the guise of Pericles, Holmes sketched the need for a strong man to repress the democratic tendencies. Pericles' critics were levelers, self-seeking, groveling men who originated such degrading maxims as "to the victor belongs the spoils," "the rich are the robbers of the poor," and "all property belongs to those who need it." Under the pretext of extending the area of freedom, they advocated the most unjust and chimerical measures.

Pericles was no demagogue, but an orator, in fact the greatest one, and this is a different thing. True oratory exists only at that stage of democratic development where the power of the people, driven by avarice, is theoretically if not practically supreme. It is neces-

sary as the sole check on the passions of the dissolute multitude in this period of mob rule.

The rise of demagogues and the debasement of the people was not due to Pericles, but was the inevitable outcome of democracies. Pericles' measures in part restrained the tendency to demagoguery because, like a good statesman, he sought no ideal government, but attempted to adjust the government to the spirit of the people. The ruinous policies of his regime were either predecessors' measures which he could not safely dodge, or they were the legitimate development of democratic institutions and imperatively demanded by the times. He knew that the Peloponnesian War was inevitable because of the bitter animosities of the two races with their antagonistic institutions. So he used secret-service money to hold off a war until Athens was ready.

At the death of the modern Pericles, Holmes, like N. Beverley Tucker, bewailed that escape from demagogues "cannot be expected from the ascendancy of the good-natured timidity and well-meaning feebleness of the wealthy but sluggish aristocrats. Who will dare like Pericles to tighten the reigns on popular frenzy?" And he warned that Athens decayed because the Athenians had "a riotous love of liberty" and no respect for the independence of the judiciary.

So, while searching for a new logic and metaphysics to solve social problems, Holmes maintained that those to be followed until that ideal one was found were Aristotle and Sir William Hamilton, last of the great Common Sense school. Both of these, he felt, were based on the certainty of knowledge and action of "those indemonstrable principles which are evidenced by the common belief, and the common sense of mankind" as expressed in the dominant institutions.

Holmes's talents finally found their reward in 1857, when, through Garnett, the chair of literature and history, or "historical science," was founded at the University of Virginia, and Holmes was made its first occupant.

But Holmes always considered England his home. "Poverty rendered me an exile," he had written to an English editor a few years before, "and still delays my return." But the England of which he thought was the England of Carlyle and of Disraeli, with their "young England" movement, including imperialism. Like them, he felt that the remedy for "capitalism" lay in the restoration of an authoritative order of gentlemen.[54]

## GEORGE FITZHUGH AND SLAVERY AS IDEAL COMMUNISM

The most extreme southern position was that advanced by Holmes's friend, George Fitzhugh (1806–1881). He claimed descent from old Virginia aristocratic families; but, though possessed of a plantation, he was never prosperous. As a lawyer he was not successful, but as a propagandist of the extreme pro-slavery point of view he came to enjoy a considerable reputation. At least his bluntness of expression served as good campaign material for the critics of slavery.

He got most of his knowledge from the leading British quarterly reviews, which were reprinted in the United States, and similar sources. In this he was not alone, but he was frank about it. He wrote Holmes in 1855, "I never read a socialist author treating his subject philosophically in my life. Newspapers, novels, reviews are the source of my information." [55]

But he had a vivid style and chose good titles. His two books, *Sociology for the South; or, the Failure of Free Society* (1854) and *Cannibals All; or, Slaves Without Masters* (1857), provided an armory for both southern defenders and northern opponents of slavery. He went a step further than Holmes and categorically denounced political economy as the "science of a free society" and substituted the term "sociology," for this treats of the disease of free society. "Adam Smith and Company" are superficial, because they do not realize that the poor, the weak, and the ignorant need strong control by government as a protection against the social and political centralization created by *laissez faire*. This protection includes slavery, and also Clay's American System, but under state or sectional guidance. So he always suspected the Democratic Party.

Free trade in all its aspects is based on the vicious notion of natural rights. Both the Declaration of Independence and the Virginia Bill of Rights erroneously espouse natural rights. Rights are conventional, institutional. State governments, universities, landed property are institutions, things of flesh and blood, that know their rights—"and knowing dare maintain them." Institutions are what men can see and venerate. Therefore they cannot be established *a priori*, but must be that which history and experience have tested. To differ with society in its organized structure is treason and heresy because it impairs the happiness of the people. Thus liberty of the press and speech, the unlimited right of private judgment, has borne only bad

fruits. These vicious notions were erroneously deduced from and let in by the Reformation and the American Revolution.

The American Revolution was the achievement of adults seeking to retain the rights belonging to them under the English constitution. But once the barriers were down, the heresies were boldly proclaimed. Thus the only sound principle is the conservative one that the welfare of society is the supreme law. This requires the ruthless suppression of any invasion of the established canons of conduct such as women's rights, abolitionism, or agrarianism.

Successful change such as the American Revolution is accomplished by wise, good, practical men who feel their way through by means of intuitive judgments, not by abstract principles; for the changes are rendered necessary by a "thousand minute and peculiar circumstances of the hour, which common sense and experience instinctively appreciate, but which philosophy vainly attempts to detect or to generalize." Therefore, though common sense may at times be excessively conservative, it is better to err with the English Tory poet, Alexander Pope, who thought, "Whatever is, is right," than with Jefferson, "whose every act and word proves that he held that whatever is, is wrong." He was "the genius of innovation, the architect of ruin, the inaugurator of anarchy."

Liberty and equality, with their concomitant free competition, engender a never-ceasing warfare, destroying the weak. Free society gives only the freedom to starve to the mass, but under slavery "every slave has an estate in tail, indefeasible by force and recovery in the lands of the South." If his present master is unable to support him, the owner must sell him to one who can.

Our system accords with the patrician scheme of Rome and feudalism. The slaveholder, like the patrician, values himself not as a selfish, cold individual, but as the most devoted servant of his country. The establishment of the House of Commons was the origin of the capitalist and moneyed interest in government destined to absorb all the power of the state and to achieve the most selfish despotism in place of the benevolent rule of the barons. Thus the Crown and the Church are the natural allies and guards of the poor laboring class, but the House of Commons is the natural enemy of the laborers.

On the other hand, slavery is ideal socialism. The socialistic doctrine that capital is barren and lives by exploiting labor is a fundamental defense of slavery, for it proves that the profits extorted from labor make free laborers slaves without any of the advantages of the

domestic slaves, and it makes capitalists their masters without any of the duties of slave owners. Slavery is ideal communism, for each one receives not according to labor, but according to need. It is a real association or organization of labor which Fourier might envy. The poor with their trade unions and strikes are practical socialists, but slavery to a master is better than slavery to an association. This oldest and commonest form of socialism, slavery, is to be distinguished from the new school of European radicals which can obtain its ends only by destroying human nature.

In a letter to Holmes, Fitzhugh found that the most extreme socialists were right in their criticism if they would only see that slavery was the true answer. Interest is wrong "because the principle [sum] represents the labour of the man who accumulates it and should be exchanged for other people's labour. Hence Rents and Interest are the means by which Capital masters Labour. Capital or property is not exchanged for Labour, but by interests and rents masters Labour. 'Tis a truth that will blow up free Society. It does not hurt Slave society because generally the increase of the Domestic Master's capital benefits the slave. He as a member of the family naturally and usually gets his just share of the increase of capital. I never read Proudhon. If this is what he means when he exclaims, 'Property is a Thief,' he is right. Property in Free Society is at least a Master. It commands Labour —does not pay for it." [56]

Fitzhugh declared that the conservative principle proclaims the duty of society to protect the weak. Effective protection necessitates control. Therefore society has the duty of enslaving the weak, especially in old countries where property is held by a few. The philanthropic-minded, justly desiring power to control the conduct of his beneficiaries, should invest in slaves because where his control is greatest, his ability to do real good is most perfect. Thus the ideal communism would be to turn over the pauper whites in the North at present to the possessors of capital. The North must realize that the masses require "more of protection and the philosophers more of control." The mass cannot be governed "by law and moral suasion, but only by despotic discretion."

At the same time, the South should extend its protectionist philosophy by establishing local universities to teach southerners to love their homes. Lack of state tariffs and the consequent southern purchases of northern manufactures cheats the slaves of their rights. The South's exclusive attention to agriculture accounts for its sparse, ig-

norant, impoverished population. Farming is the recreation of great men, the proper pursuit of dull men. Handwork naturally pays less than head work, for the headworkers, being in fact the masters of the handworkers, deprive them of a good share of their product. Thus the South has worked three hours for Europe and the North to one for itself. Holland and Massachusetts are two of the richest, happiest, and most highly civilized states because they do little farming and engage in manufacture and finance. The rich and enterprising are deserting agriculture and the South.

Following Carey and Colwell, Fitzhugh held that, since the increase of money has no determinate effect on prices, a favorable balance of trade would lead to more funds for internal improvements, including manufactures. Banks ought to be extended because the increase of credit would stimulate enterprise. The control of the currency might be safely left in the stockholders' hands, for they are generally cautious and conservative. They would suffer pecuniary loss from overexpansion or contraction, as does the master who does not take good care of his slaves. Besides, with universal suffrage giving the progressive element tremendous power to damage property and society, the banks would act as a conservative balance.

Thus in this country we shall soon have two constitutions, the *a priori* paper one which none will respect, and a practical one deduced from the working of our institutions. The Whigs disregard the written constitution when they seek a national bank, tariffs, and internal improvements; the Democrats do likewise when acquiring new territory. Young America, the dominant party of the day, will with equal dexterity jump through the paper obstructions.

The Democratic Party is the real institutional party. Having been largely purged of its radicalism and recruited from old-time Whigs, it is now actively conservative. It is the exact opposite from the days of Jefferson, not in its professions, but in its active opinion. It has always been consistent because it boldly and wisely adapts its actions to emergencies. It has a mighty "nosology"—disease—in the Declaration of Independence, Bill of Rights, Constitution and Resolutions; but, like a good doctor, it casts nosology to the winds when required. Times change and men with them, so that good men are proud, not ashamed, of such changes. "Let no false pride of seeming consistency deter us from an avowal which omitted may . . . impede our action."

After Buchanan's victory in 1856, Fitzhugh with the aid of

Holmes's father-in-law, former Governor Floyd, and the reigning governor, Henry Wise, received a temporary post as a law clerk in the Attorney General's office. In his application to the President, he claimed he had always belonged to the "national" wing of the Democratic Party and never differed for the last thirty years as to men and measures from Buchanan. "I am an author and shall continue to write. . . . I . . . shall zealously advocate the policy of your Administration as I understand it. The South will permit me to go further in . . . denouncing Southern abstractions and sectionalism than it would permit anyone else." [57]

Fitzhugh's writings were devoted almost exclusively to supporting the dominant southern position. He even went so far as to argue in 1858 in *De Bow's Review* that the abolition of entailed estates had been a mistake because making all property liable for debts created a greater gambling fund for excessive trade and credit, and this brought on a commercial crisis. He concluded that "to properly limit, and restrict trade, alias cheating, alias free competition or exploitation," the system of entail, including that of slaves, should be adopted. "We rejoice that our instinct, despite our philosophy, is impelling us in that direction." [58]

But, as might have been expected, this did not mean that he favored the homestead movement of small inalienable plots. On the contrary, he had already stated in *Sociology for the South*, "We do not like the Western Homestead provision of forty acres because that entails on families poverty and ignorance, and tends to depress civilization."

After little more than a year in his temporary post, he found his services not needed. A petition signed by twenty-seven prominent southerners, including Garnett, praised his service to the party and his literary contributions, and asked that he be given a permanent post with a comfortable income.

Fitzhugh informed the President in June 1858 that since coming to Washington he had continually supported the Administration in papers and reviews. "My friends tell me that I lead the Southern mind. . . . Should I obtain office I shall continue actively to defend your Administration. It is the first profoundly conservative Administration—and its action corresponds with its professions. The anarchy so prevalent in the country makes such an Administration necessary." Through the press he had warned, he added, "that Mr. Buchanan might be the 'last of the Presidents' unless there was some pacific

solution of sectional difficulties. The danger is not past—although you have done . . . very much to allay discord and restore peace."

But in the face of a cut in appropriation in Fitzhugh's department, the Administration could not afford the dubious luxury of a writer who spent most of his time in Washington writing eulogies of southern slavery and castigating the North for casting any question on the institution. It was hard to see how Fitzhugh could feel that he was bringing about unity, but then he called himself a moderate, not an extremist.

Fitzhugh went back to his plantation convinced more than ever of the need of defending the southern way of life. He supported the opening of the slave trade. An old neighbor of Fitzhugh who had gone North said that Fitzhugh's methods of "proving Free Society a failure was by theories and speculations which had got into the crevices and under the eaves of his brain, like the bats in the rickety old mansion, situated on the fag end of a once noble estate, in which he resided." [59]

Doubtless this opinion was too harsh, but no man had in effect argued more vigorously that slavery and free society could not exist side by side. Fitzhugh no more than Holmes expected this to be taken seriously, and they even stated that the North should retain the free society of the present. But he had done such a good job in condemning free society in the name of slavery that the only alternative was to root out slavery if free society was to be maintained.

## CHAPTER XXXIII

# The Western Contingent: Upholders of Traditional Ideals

IF THE West was a center of radicalism, it certainly did not show up in the writing of its economists in this period. They were, if anything, even more conservative in their underlying social philosophy than their eastern brethren. It made little difference whether they were residents of what was then still called the Southwest or the Northwest, whether they were natives of their states or

immigrants from the Atlantic seaboard states. In the West as elsewhere, the economists differed as to what made for profitable commerce.

### HENRY HUGHES: AGITATOR FOR THE SLAVE TRADE

Henry Hughes (1829–1862), Mississippi lawyer and planter, erected a "sociological" scheme based on the necessity of reopening the slave trade. Hughes was educated at a little Mississippi college, Alcorn (now Alcorn Agricultural and Mechanical College for Negroes), but he had the advantage of a trip to Europe, where he met Comte. He became a politician as well as a theorist, and in both occupations he appears to have been primarily concerned with schemes to overcome the interdict against the slave trade. At the age of twenty-five, he presented the theory most elaborately in his *A Treatise on Sociology* (1854) which reached far beyond the exigencies of legal slavery.

Slavery, he said, is undesirable; but what is called slavery in the South is not really slavery, but "warranteeism," which has evolved out of slavery. Warranteeism is a system in which the laborers' rights are protected by the state as warrantor, as the economic and political lord paramount, acting through the masters as deputy warrantors or magistrates. Property in man is abolished, but the obligation to labor is "capitalized."

Capital need not be directly regulated because it is subject to the beneficent operation of economic laws. It goes wherever profitable. The capitalists alone have the means of subsistence, so they do not starve. Capital is not idle, but naturally industrious; for if the capitalists do not labor, there are no profits.

But the free laborer has no capital; consequently he has no incentive to work. He may starve. To compel him to labor, the obligation to labor must be capitalized—that is, converted into an enforceable property claim; and the holders of the labor obligations naturally must be capitalists.

As capital, this labor obligation is negotiable. The form of capital makes it possible to maintain an adequate "local production" of laborers. Other capital represents the means of subsistence and as such its variations cannot be perfectly controlled. Man adapts himself to them because he cannot adapt them to himself. The scheme secures justice, for it realizes the end of the right of property: subsistence

and the obligation to labor instead of idleness and intemperance.

The social organization of the South is warranteeism with the ethnical qualification. The qualification is accidental; "warranteeism without the ethnical qualification is that to which every society of one race must progress."

In 1857, while a senator in the Mississippi legislature, he introduced a bill to charter the African Immigration Company, of which he was a promoter. It would import Africans under fifteen-year indentures, but with the stipulation that on the expiration of their term of indenture, they would continue as warrantees.

The bill, like similar measures, was not passed. After all, slave owners understood that an increased supply lowered the price. Hughes the following year denounced as "outside intervention" the failure of the federal government to see the difference between warranteeism and slavery and called on the southern states to assert "State Liberties, or the Right to African Contract Labour." The South needs a regulated supply of African labor to spread wealth and afford every poor and industrious citizen the greatest opportunity for making a fortune. This supply will relieve our daughters and wives from washtubs and substitute "willing Negro wenches, to whom a civilized kitchen would be a Christian school." Therefore the thinking citizens must assert state rights in the regulation of slave labor.[1]

Meanwhile Hughes prepared for the civil war by joining a volunteer military unit.[2]

### NATHANIEL A. WARE: "NATIONALIST" PROTECTIONIST

From the same area as Hughes came an outright protectionist, Nathaniel A. Ware.[3] His anonymous publications were in keeping with the obscurity of his activities and his shifting scene of operations. Neither the place of his birth nor the date are definite. Most evidence indicates that he was born in South Carolina, though there is some evidence favoring Massachusetts. He arrived in the Mississippi Territory in 1811 and practiced law, among other things. At the outbreak of the War of 1812 he joined the militia and became a major. Soon he began to occupy important public offices. He served in the Territorial House of Representatives and in the Legislative Council. House members objected to his appointment to the Council, a federal appointment, on the ground that he did not have "strictly

republican" politics and had no permanent residence in the Territory. The resentment against him was strong enough to bring about his defeat for election to the Mississippi constitutional convention and as territorial delegate to Congress in 1817.

But in 1822, under Monroe's Republican Administration, he was appointed a commissioner for adjudicating land claims in Florida. In keeping with his speculator's frame of mind, he quite frankly avowed that in validating the ordinary concessions from the Spanish Crown, he would not require compliance with the conditions of settlement such as habitation.[4]

Meanwhile he had amassed a fortune in land speculation, made Philadelphia his permanent headquarters, and acquired sufficient intellectual stature to be elected to membership in the American Philosophical Society in 1823. He early took an interest in a great many subjects, partly because he undertook to supervise closely the education of his children after his wife became insane. His intellectual activity did not interfere with his zeal for promotion. Though Philadelphia was his home, he flitted all over the country and even to Europe in connection with extensive business operations that were generally complex and obscure.

For example, in 1831 he was in New Orleans, where he had just disposed of a plantation on the Mississippi. He was reaping the handsome interest of 12 per cent on the paper of New Orleans houses, and was on the lookout for profitable investments. There he met Captain Henry Austin, cousin and close friend of Colonel Stephen Austin, who practically controlled the great dominion of Texas, then under the sovereignty of Mexico. The captain wrote his cousin that Ware, before returning to Philadelphia, would be willing to invest $40,000 in the establishment of a cotton factory in Texas. He would send in not only the machinery, but also a permanent labor force of young Negroes under indenture, which was the Texas way of circumventing Mexico's prohibition of slavery. But as a condition for making the investment, Ware wanted from the Mexican government a land grant of approximately 50,000 acres along with tax exemptions. Of course, if Stephen Austin obtained the land grant for Ware, he would be willing that Stephen Austin as well as Henry Austin share in the profits of the concern. The factory, added Henry Austin, "would not only encourage the cultivation of cotton in the interior but would also produce a specie circulating medium by furnishing a commodity for legitimate trade with the interior of Mexico."

As weeks passed and no reply came from Stephen, Henry wrote his cousin that Ware was so impatient at the delay that he was thinking instead of buying a sugar plantation which would absorb $200,000 of his capital, and "I shall be thrown out of the saddle after all."

But Ware went ahead with the cotton factory and while still in New Orleans contracted for the machinery with the intention of using it in Louisiana should the Texas project fail. He had thought of manufactures for Louisiana as early as 1825, when he tried to sell the idea to George Tucker's friend, Senator Josiah S. Johnston of Louisiana. He had used the familiar protectionist argument and had spoken of factories tending to uplift the laboring class and providing an easy means of eliminating the blacks. The white factory hands of New England, he then enthusiastically wrote, have stripped away the menial connotations of manufacture. They will not associate with colored persons or menial servants.

Ware was soon forced to suspend the contract for machinery when one of the houses in New Orleans to which he lent money failed. Though assurances came from Stephen Austin that he would do all he could to help the concern, the tension between Texas and the Mexican federal government doubtless convinced Ware that the project would not be successful.[5]

At the very same time, Ware was successfully pushing through Congress claims for lands in Mississippi.[6] The following year, as before, he was speculating in land, especially in the Southwest.[7] Toward the end of the decade, he appeared on the scene as a wealthy landowner and prominent banker in the great trading center of Natchez, Mississippi, in connection with Biddle's enterprise to control the price of cotton. In July 1839 Ware's name headed the list of fourteen "southern" merchants and planters, including McDuffie, signed to a circular, dated New York, to the "Cotton Planters, Merchants, Factors, and Presidents, and Directors of the several Banks of the South States" for a "convention to deliberate upon a scheme for the protection of our commerce, finance, and exchange."

Cotton is in effect the standard of value and the currency of the country, declared the circular, for upon its fate depends the welfare of the nation; but exigencies abroad have often created a state of affairs whereby cotton has had to be unloaded on the foreign market at sacrifice prices by the European consignees to meet the bills drawn by the planters. If a third of the crop can be placed be-

yond the possibility of sacrifice, the circular continued, it will give security to the rest, not by "entrenching it behind the guards of a speculative monopoly, but by holding it in that state of security which the just relations of supply and demand will always, in the long run, establish and sustain in the trade of a great and civilized country."

To prevent the unnatural decline of cotton prices, the southern banks were to make advances to the planters on the cotton shipped in the form of "post notes," which would supposedly circulate freely as money, and thereby the European consignee would be relieved of any care except the advantageous sale of his stock. The circular stated that the signers had "accidentally" found themselves together in New York.

Behind the scheme directly was Nicholas Biddle's London firm, Biddle and Humphries. Already a number of Mississippi banks were joined in this scheme to "maintain" the price of cotton, and great commendation was expressed in the circular for the firm's efforts. In a nutshell the proposal was to extend the company's control and to prevent the collapse of its position.

The convention was to be held in Macon, Georgia, but hardly had the call gone forward than the southern press, including Cardozo's paper, denounced the scheme as the plot of a combination of speculators and bankers.

McDuffie, that ardent free-trader, was incensed at the opposition. They audaciously declare, he replied, "let trade alone to regulate itself" and insist that these efforts of the planters to place their property beyond the reach of foreign combinations by preventing its accumulation by penniless speculators, violates the principle of free trade. Because the planters choose to select their own agents, their own manner, and their own time for bringing their cotton to market, the opposition writers think the pillars of the Constitution are being pulled down. The planters, quiet and depressed as they are, have always been sheared. If any class in the South decides to take sides against us, warned McDuffie, and even become advocates for the foreign manufacturers, as the extraordinary course of the journals on the eastern seacoast and gulf warrant us in suspecting, they must be taught that the "planters constitute the first estate in the empire of southern commerce" and are not to be driven "from their just purposes, by the combined forces of speculators and editors."

The convention reported that the present methods of sending cotton to market prevent its price from being freely regulated by the fair and natural influence of supply and demand.

The promoters insisted that they did not intend to fix the price of cotton. This is impossible because the great law of supply and demand must regulate prices. But under present conditions, planters cannot get their costs. The report made use of the general suspension of specie payments outside of New England and New York which had occurred between the issuing of the circular and the assembling of the convention. The suspension was a continuation of the crisis of 1837, it said. This had been caused by the Bank of England. England's harvest had been short, and wheat had to be purchased from abroad. To prevent the loss of specie, the Bank of England was ordered to raise its discount rate with the object of forcing a sharp reduction in the price of cotton. The result was a depression in the United States, but it has also been disastrous to England's cotton manufacture. They sought, they said, to place "a portion of the crop beyond the blighting influence of those theories of finance, which although they may have emanated from the highly respectable parlor of the Bank of England, are not to be found in the philosophy of Smith or Ricardo." If the southern banks want to obtain the specie necessary for returning to normal sound banking, they must support the scheme.

Ware was chosen as a representative to the committee named to make the necessary arrangements, but the scheme never materialized.[8] The southern planters were apparently not convinced.

Four years later Ware decided that he, as a southerner by "birth and interest," should supply the South with the proper treatise on economics. It was the time of the presidential campaign of 1844, and Ware's anonymous treatise, *Notes on Political Economy*, by a "southern planter," has all the earmarks of having been written to gain southern support for Clay and his American System and the Whig program of that period. It accorded specifically with the spirit manifested in the increasing number of southern conventions, and especially that held at Memphis the following year. It was a call to the South to give substantial aid and encouragement to that spirit of enterprise that had made the North so great.

The treatise was based on Raymond and Rae. Ware said that accepted theories were useless for practical purposes and that he went on facts which workingmen understand. Policy should depend not

on universal principles like free trade, supposedly true in the abstract; rather, "government by circumstances is the only sound rule or maxim in the science of political economy."

More western territory should not be acquired. "The savage backwoodsman, the clodhopping farmer, the reckless fisherman," stand low in the scale of civilization and taste in comparison with the artisan. Pioneer life is too rough and devoid of luxuries and culture. The latter can only exist in the concentrated manufacturing towns. Of course, the producers of raw materials have a rough sort of independence, but this does not make for national independence.

The South, especially, is foolish in seeking more territory because this would reduce the price of cotton. Therefore, southerners should not favor the annexation of Texas. Further, the acquisition would prevent the ending of slavery, for slavery is reduced by condensing population so that "hireling" labor can be furnished as cheaply and abundantly as slave labor.

Ware, who was himself a slave owner, declared that slavery is an evil, but that general emancipation is worse; and, as George Tucker argued, slavery if left alone will end in approximately a century or two. But meanwhile, given this cheap labor supply, the South should turn to manufacture, which is five times as profitable as agriculture. The North can use women and children, but the South has, in addition, her slaves. They get no wages, have the meanest subsistence, and will not form combinations and engage in strikes. If factory labor is as bad as has been pictured, all the more reason for using slaves. "Let us bestow on them the worst, most unhealthy and degrading sort of duties and labour to the exemption of free persons."

But the charges leveled against English factory labor are invalid against the white factory operatives in this country. In England they are hirelings like those few artisans in the United States who, not owning their instruments, must be supplied with capital. In England the laborers, being without hope and ground to dust and a bare subsistence by heavy taxation and the poor laws, are more dissipated, wasteful, and dependent than slave labor. They spend their earnings on getting drunk and do not have the interest of the employer at heart.

Elaborating on an incidental point in Dew's treatise, Ware "showed" how the United States might rapidly advance in technology. The English proprietor is, he said, exclusively interested in dividends and never knows anything new because his huge invest-

ment in existing equipment precludes taking chances. He not only fears to scrap the old equipment, but also to change the fixed and monotonous habits of his machine operatives. On the other hand, the degraded operative has neither the energy nor time to invent new ideas. Even if he has them, he hesitates to let his employer know, for it is likely to lead to a reduction or suspension of his wages.

But in the United States the recent rise of manufactures makes possible the installation of the latest equipment. The absence of the dead hand of debt payments and dividends on investment in obsolete equipment leaves an open road for industrial advance. This is really due to the fact that the free institutions and easy subsistence in the United States make the operatives flexible in their thoughts and eliminate the prejudices for obsolete forms. Possessing the materials and the time to think, they can afford to experiment. The mechanics generally do the inventing because they work with or near machinery. A superior mechanical intelligence runs with the mass in the United States and not only imparts an aptitude for mechanical or factory operations, but gives character to the laborers. Piece work is the only sound method of wage payment, for it stimulates the laborer to more work, and with his savings he becomes a highly respectable citizen. And the female operative acquires funds for a dowry.

Thus the factory laborers are as healthy and as moral in the sense of being decent and orderly as any part of the laboring population, and more intelligent than the rural laborers. Factory towns provide the means of giving an adequate education to laborers of all ages. Being concentrated in factory towns, infants can be summoned by a bell and be taught by the cheap Lancastrian monitorial system; and, summoned by the same bell, the adults can be made very scientific by night lectures as well as by libraries of useful knowledge.

A permanent tariff policy and certainty of a market are essential to call out the full capacity of labor, for the large profits will animate the spirit of enterprise and thus lead to great and rapid capital accumulation. Under the spell of the creative magic term of "profits," the capitalists will be encouraged to invest in machinery. The degradation and poverty of English labor flows not from the dependence on foreign markets, but from the excessive competition of capitalists. It can be prevented by a tax on exports of manufactures when the occasion arises, just as overproduction or monopoly in any line might be prevented by a tax on production exceeding a certain amount.

Should this happen, the first thing is to cut wages so as to employ all, for half a wage is better than idleness. Furthermore, since demand, not cost of production, governs prices, the eventual effect of machinery is to keep wages at best at a minimum, and all that political economy can do is to give labor the best market and the best employment by a tariff.

In any event, pride and the high standard of living prevent the population from being redundant in the United States. People dressing in expensive clothes as a result of a tariff will be conscious of their position, decency, and self-esteem, and consequently will be willing to work hard to retain and increase them. But if pride is wanting, the state should withhold the marriage license. Should they marry, they should be denied the rights to citizenship and their offspring the rights of legitimacy.

This, of course, applies to the unemployed, for obviously they lack pride. The moment an individual is base enough to beg or to avail himself of public aid, unless in the shape of a hospital, he is totally worthless, beyond redeeming. He ceases to be a man and has "sunk to the level of . . . a mere eating brute. . . . Humanity aside, it would be to the interest of society to kill off all such drones, get rid of such excrescences, and cast off such burdens." In other words, since the poor laws arise from a "false sense of religion and humanity," they should be abolished. A property qualification should be attached to voting to instill pride, among other reasons.

On the other hand, Ware justified direct state aid to private enterprise on the ground that it gave employment to labor and increased the national wealth. Joint stock companies should be encouraged, given liberal charters and special privileges such as tax exemptions and loans. In fact, as a good Physiocrat, he argued that agriculture rather than the corporations should be taxed. The states should purchase stock in these corporations but never attempt to operate them because, compelled to leave their operations to agents, the state will always be defrauded. Ware attacked foreign debts, pointing out the necessity of a tariff to prevent this type of indebtedness. But the repudiated debts of the states should be assumed by the federal government on the ground of justice to the foreign creditors. After all, the American government holds Mexico responsible for the debts of its citizens to Americans.

A public debt is excellent for investment of capital; its too rapid repayment shocks trade, discourages capitalists, and inclines them

to look abroad for more permanent employment. It is the demogogic politicians who cry out against public debts.

Banks should be encouraged for their short-term loans and enterprise. Bank notes should ordinarily be convertible, but in time of emergencies the government should step in and accept their inconvertible notes. Paper based on the credit of government is eminently useful in times of distress, but is to be guided by the principle that the nation should use its funds or credit to help any branch of industry necessary for the country's comforts or independence—namely, such enterprises as manufactures and railroads.

Wars, by the excitement and expenditures they engender, are among the most effective devices for animating a nation's economic powers. In a long peace people become rusty, selfish, dispirited, and turbulent. They degenerate into meanness by becoming absorbed in small gains and show a money-loving, cheating spirit.

Because of threatened disunity, no country needs a war as much as the United States. The country is in turmoil because of intense party spirit, abolitionism, the right of suffrage, and opposition to the tariff. Our national sentiment has been weakened, our manufactures are not encouraged, our staples and commerce decline, and capital flees the country. For the nation's sake, the statesmen ought to "encourage a war whenever it can be done consistently with justice and honour." They "ought to do everything but create a war; never avoid one, rather invite it and meet it more than half way."

In this and especially in another anonymous volume the following year, after the Democrats won, *An Exposition of the Weakness and Inefficiency of the Government of the United States of North America* (1845), he denounced Jefferson and Jackson as radical, ignorant democrats and despots, and the Democratic Party as the great caldron of democracy that would break down civilization by threatening religion and property.

The "visionary" Jefferson was, of course, the "worst politician" with which a nation was ever cursed, while Hamilton was the ablest and "most practical politician." The ideal government, he explained in the second treatise, would be a republic; the executive could serve only one term, but that would be ten years; judges would be for life; independent electors would have a real estate qualification; salaries would be liberal; and pensions should be given. Government revenue should be raised as far as possible from imports; manufacturing industry should be protected up to the natural supply at least. He

would prohibit poor laws beyond infirmaries, but all the internal improvements possible should be encouraged. Naturalization laws should insure that foreigners had become citizens in feeling before they enjoyed the privileges of citizens; in other words, foreigners would in effect be barred from citizenship. "I would have as little of the Constitution as possible, or the rules and dictations of such an instrument," and no confederation—no trial by jury.

After condemning both the Loco-Focos and the excessive use of state bank notes, he called for the elimination of small notes and the establishment of one national bank based on treasury deposits to aid the revenue and be a national repository.

Ware had opposed the annexation of Texas, but that deed had brought on the war he wanted to save the country from being a victim of democracy.

Ware's last book was a novel, which was not surprising—*Harvey Belden, or, a True Narrative of Strange Adventures.* Like all Ware's books, it was anonymous. It was published in Cincinnati in 1848, but it was typical of the man and his operations that the hero, naturally a gentleman's son born and bred, tells his tale in New Orleans. It was also in keeping with Ware's character that it was a story of adventure which takes the hero all over the globe and it was replete with episodes of knavery, kidnaping, warfare, and conquest. Of course, Ware could not help bringing in his economic views.

Of a nomadic raiding party of Arabs that seizes the land, the hero says that if they had a regular government that would give protection to persons and property, they would become wealthy and enterprising and develop an intellect and a genius remarkable for its quickness, and achieve a great empire extending to the Mediterranean and the Great Desert. Of course, where he found extensive market centers, he also found the beneficent effect of the "all-powerful nature of commerce and trade." Then the government was a gentle paternal one, property was secure, and varied manufactures of a domestic character were found; and all these testified to an advanced civilization.

As he surveyed a populous kingdom of Asia—China—with its prohibition of foreign trade, its stationary and relatively unadvanced state of mechanical arts, he asked, "Is this the ultimate state of man? When he reaches the maximum of population, can his own varied arts supply all wants, fill the circle of luxury to the full and be as fixed as the vegetables around him? Do we hold intercourse with

[the] . . . world, and gain all wealth and information through commerce only when we are so young and sparsely populated as Europe and America?"

So it seems in the highest development of society food cannot be spared even for beasts of burden. All must be used for human subsistence. Thus China fortunately avoided labor-saving machinery, which is the boast of America and Europe, because it would throw thousands out of employment and impoverish the country. The practice of exposing newborn infants is necessary though shocking to humanity, because otherwise marriage would be restrained and thus give rise to worse evils. In any event, our feelings become accustomed to almost anything in a way that gives us no pain, "even though the first principles of humanity are violated."

As the hero moved across the fertile West, he found that more states will be formed there eventually, all teeming with population and presenting a scene that would be novel in Europe or Asia—great crops and an inability to dispose of the surplus.

Ware's last adventure was in the state of Texas, where as usual he was interested in lands. There, of all places, he died of yellow fever in 1854.[9]

## JAMES D. B. DE BOW: SOUTHWESTERN STATISTICIAN

From the area of the Louisiana Purchase came the statistician-economist James Dunwoody Brownson De Bow (1820–1867) to defend protectionism of a southern kind.[10] De Bow was born in Charleston. Left fatherless and penniless when hardly more than an infant, he started working at the age of ten and spent seven years in a wholesale grocery store. Then he managed to enter the College of Charleston, where he was fed the usual diet of the classics and a smattering of political economy. He graduated in 1843 as valedictorian. A year later he was a member of the bar. But Charleston had many good lawyers. He started to make a little money by contributing to the *Southern Quarterly Review*. In 1845 he became its editor-in-chief, but dignified titles do not necessarily carry commensurate incomes. The impecunious and ambitious youth soon threw himself into various movements that ostensibly looked toward a great commercial development of the South, with commerce understood in a wide comprehensive sense. At the great commercial convention of southern and western states

at Memphis in 1845, De Bow was not only a delegate from South Carolina, but also one of its secretaries.

Under this stimulus, De Bow decided to establish a journal that would be devoted to pushing the interests of southern commerce. For the permanent headquarters of the journal he chose the rising commercial center of New Orleans. He got the backing of a leading sugar planter and merchant, Maunsel White. His inclination to protectionism was accentuated by the fact that the Louisiana sugar planters were not averse to ever higher tariffs on sugar. But this did not prevent De Bow from using as his motto for *De Bow's Review*, "Cotton is King" or "Commerce is King," or from pushing southern railroad expansion.

If the South wishes to have great power and wealth, he declared, it must follow the methods of the North, especially Massachusetts' energetic spirit in arousing all its productive energies.

Planters have heretofore asserted that the manufacturing and trading spirit is essentially servile and have devoted their attention to agriculture. But the deductions from the "rules of legitimate political economy" point to a dark future for agriculture. Mere production from the soil soon finds its limits, and limits population. Already the western grain growers find an insufficient demand for their great grain production. Southern planters, instead of attempting to establish a combination to fix a fair price, should engage in diversification. This requires first of all railroads. Railroads not only diversify industry and open a country, but also build cities and raise land prices. The necessary labor supply is available in the cheap labor of slaves, many of whom are unemployed. The railroad companies should be given grants of the public domain of the states. The state should follow the Tennessee scheme, where the state endorses the bonds of all companies for the purchase of iron after they have laid the track. Of course, he agreed with Calhoun that internal improvement by the federal authority is subject to log-rolling and unconstitutional, but the Constitution allows improvement as a part of national defense. So railroad companies are worthy of government patronage.

After constructing railroads, the South and West should naturally turn to manufactures. Capital will be lured by the high profits if we have laws favoring such organization and a sound and liberal system of credit and banking. The North has greatly prospered from the vast amount of foreign capital invited in the hope of profit.

Of course, iron necessary for railroads should be duty free. This should not hurt iron manufacturers, he said, because he was informed by good authority that they could produce as cheaply as foreign countries. The bounty afforded by the tariff would merely help maintain the monopoly of the iron manufacturer.

But the South should not stand idly by and let the North and England reap great earnings that the South could obtain by manufacturing from the raw materials. These earnings or profits would be added to our capital. Manufactures would also provide employment for the slaves. Finally, the South must increase its share of commerce. The South must and can recapture the scepter of the sea.[11]

Another of his causes was the call for the creation of a bureau of statistics to collect information on the resources of the states. He headed the newly established bureau in the Louisiana Department of State in 1848, but his conception of the collection of statistics was like Thomas Cooper's and George Tucker's. Information, he declared, should be obtained by circulars addressed to public-spirited laymen and by digests of existing information. The federal government should take the data supplied by the state bureaus and digest it in a few volumes.

The most significant feature of his work with the short-lived statistical bureau was his plea for such an organization as a preparation for defending "state rights." "The great question of power," he wrote in his first report in 1850, "is now being raised between the free and slave states and must soon be settled. The former have . . . had the advantage of us in exhibiting their resources and strength. They have had all the statisticians to themselves and all the statistical reports. They have used them as powerful implements of warfare, and the South having nothing to show in return has been compelled to see her cause greatly prejudiced. Until almost the present day, none of the southern states have regarded it at all important to secure records and returns of population and wealth. Not one periodical devoted itself to these subjects, though the North has many. We were taunted with our comparative weakness, poverty, insecurity, decay, and told that they were the natural results of our slavery. Having no facts to oppose, we were passive, and for the most part admitted the justice of the charge. We have not studied our own strength."

But already elsewhere in the South, especially South Carolina, writers are triumphantly indicating that the South has great re-

sources and a higher average of wealth and comfort than the North. "It becomes Louisiana to furnish the data for carrying out these investigations and for the more full and satisfactory justification of our institutions and ourselves. The day has passed when the South will consent to be the victim of unlicensed misrepresentation or widely propagated error, but the reform begins first at home."

Much as Louisianians may like the Union, they must prepare for danger. "So we must know our powers of resistance. It becomes the South to increase its strength and weight in the Union, construct its railroads, extend its commerce, build up its manufactures, protect its arts, endow its universities and colleges, provide for its schools and prepare . . . for whatever God has in store. . . ."[12]

Along these lines he published in 1852 a three-volume comprehensive work, *The Industrial Resources of the South and Western States*. Despite his appeal to sectionalism, he was asked by the incoming Democratic Administration of Pierce to take over the superintendency of the seventh census, that of 1850.

Hardly had he finished the census job, than he was writing in a short-lived weekly which he published in Washington, "It is our opinion, founded upon a very close examination of the subject, and entire familiarity with it, that the census statistics of the United States, taken as a whole, and running back from the beginning of the Government are favourable to the South, morally, socially, intellectually, and industrially, in a degree much higher than to the North. This has been shown too often to be doubted."[13]

In 1849, through Maunsel White, a chair of "Public Economy, Commerce and Statistics" was established for De Bow in the collegiate department of the University of Louisiana. It was avowedly to be devoted to turning out successful merchants in the wide sense. Proper textbooks included those of both protectionists and free-traders—Carey as well as Adam Smith, J. B. Say, and Vethake. He even listed Lieber's *Political Ethics*.[14]

In his opening lecture, called "The Commercial Age," he declared that political economy is the instrument of commerce. Commerce is the natural guardian of the arts and sciences. It is the parent of civilization. It is "the golden girdle of the globe," and the importance of the merchant class cannot be overrated. To what is New York indebted for the extraordinary position which she occupies in the republic but to the centralization of nearly all its foreign trade in her midst, and New Orleans at the other extremity of latitude, is she not

marching onward in the same pathway at a rate which is equally amazing? Therefore there is need of a chair of political economy, commerce, and statistics.

In a later lecture he declared that trade unions belong to the erroneous system that supposes "industry and enterprise impotent in defending themselves and incapable of marching onward toward prosperity, when left in the most perfect freedom." However, he informed his audience, the Louisiana sugar planters have received a woefully small share of government favor. "The cotton lords and iron lords of the North have no objection to any amount of aid but when you come to sugar, why, they tell you, that is one of the necessaries of life—you must not tax that!" [15]

At the same time he began lecturing in the summer session of the Kentucky Collegiate and Military Institute where he was listed as "J. D. B. De Bow, Esq. AM, Professor of Political Economy, Commerce and Commercial Law."

Attendance at the Louisiana course, however, was negligible; the financial support gave out, and in a few years the collegiate department was eliminated.

Most of De Bow's efforts were devoted to his journal, and its pages were open to the leading southern lights, including Cardozo and Holmes. He was extremely fond of Fitzhugh, who, judging from the number of articles he contributed, might have been called a contributing editor.

As the slavery issue became increasingly important, the journal gave it more attention. De Bow was often ahead on details. Thus he early published his "ethnological researches," proving, so he thought, that the black and the Caucasian had different origins and that the black was naturally inferior and fit only to be a slave. And in his Louisiana lectures he declared that the African, when released from the dominion of a master, becomes the double slave of indolence and want. De Bow also advocated the reopening of the slave trade, although he was constantly reiterating that manufacture and railroad expansion were essential to prevent unemployment among the slaves.

As secession began, De Bow called on the southern non-slaveholders to support the slaveholders in his tract *The Interest in Slavery of the Southern Non-Slaveholders* (1861).

De Bow claimed that a class conscientiously objecting to the ownership of slave property does not exist in the South because all such

scruples have long been silenced by "the profound and unanswerable arguments" of our statesmen, popular orators, and clergy.

There is no danger of competition between free labor and slave labor in the South. The non-slaveholders are not forced to work in terrible factories as in the North. Labor in the manufacturing states would have long reached the degraded condition of British labor except for the excessive bounties paid them through a tariff which is extorted from the labor of the slaveholding and non-slaveholding laborers of the South. The non-slaveholder is not subjected to competition with foreign pauper labor. The competition between native and foreign labor in the northern states has already caused riots and deadly hostile political parties. In the South this is unknown except in two or three of the large cities where the relations of slavery and freedom scarcely exist. The foreigners in the South are of a select class, and from education and example very nearly approximate the native standard.

The southern non-slaveholder preserves the status of the white man and is not regarded as an inferior or a dependent. The non-slaveholder knows that as soon as his savings admit, he can become a slaveholder, and thus relieve his wife from the necessities of the kitchen and the laundry, and his children from the labor of the field. This with ordinary frugality can be generally accomplished in a few years. The slave is the first purchase from savings. If a woman, "her children become heirlooms and make the nucleus of an estate. It is within my knowledge that a plantation of fifty or sixty persons has been established from the descendants of a single female, in the course of the life time of the original purchaser."

The sons of the non-slaveholder have always been among the leading and ruling spirits of the South, in industry as well as politics. In this class are the McDuffies, Andrew Jacksons, Henry Clays, Hammonds, Maunsel Whites. "And what is to be noted, these men have not been made demagogues for that reason, as in other quarters, but are among the most conservative among us."

Without slavery the great southern staples could not be grown, and the immense annual results which are distributed among every class in the community, and which give life to every branch of industry, would cease.

If emancipation is achieved, as it will be unless the encroachments of the fanatical majority of the North are resisted by a southern confederation, slaveholders will escape the resulting degrading equality

by emigrating. But the non-slaveholders will have to remain there.

On the other hand, confederation is the sure refuge from the storm of northern aggression. In a southern confederation "our rights and possessions would be secure," our wealth would be retained at home to build up our towns and cities, extend our railroads and increase our shipping, whereas now through tariffs or other involuntary or voluntary tributes it is lost to other sections. Opulence would be universal, and "we should become the freest, the happiest and the most prosperous and powerful nation upon earth."

### EZRA SEAMAN: NORTHWESTERN STATISTICIAN

In the Northwest Carey had an ardent follower in the Clay Whig Ezra Champion Seaman (1805–1880). He was born in New York and studied law in Samuel Young's town of Ballston Spa. Then he migrated to Michigan, where he lived mostly in Ann Arbor. Besides practicing law, he engaged in newspaper publishing and served in government posts, including inspector of state prisons. In between his "professional business" he did "statistical surveys" as a sort of avocation. These appeared as a comprehensive volume in 1846 under the title, *Essays on the Progress of Nations, in Productive Industry, Civilization, Population, and Wealth; Illustrated by Statistics of Mining, Agriculture, Manufactures, Commerce, Banking, Revenues, Internal Improvements, Emigration, Mortality, and Population.*

He declared in the preface that his object was to "connect political economy with statistics; to bring the rules and principles of the former to the test of the established facts of the latter; and to try them, as far as practicable, by the severe test and certain standard of the principles of mathematics. This is the only mode by which they can be reduced to certainty, and fully understood." In the 1852 edition, published while Seaman was a chief clerk in the United States Treasury office, in the Administration of his admirer President Millard Fillmore, he elaborated this statement so as to make it obvious that the "connection" between political economy and statistics consisted in adumbrating the Clay position.

Political economy, he wrote, is at present an imperfect and unsettled science. Its so-called principles are inconsistent with one another; many were founded on erroneous assumptions. "Modern society and its institutions are so complicated and so many causes operate at the same time" that it is difficult to determine which are

the more important causes. "The whole subject of political economy is so complicated, that the only mode of ever approximating to the truth, is to observe and collect carefully the facts showing the progress of nations, during a series of ages; to note their condition at different periods, and their relative progress; to apply the inductive system of philosophy, and from the effects observed endeavour to deduce the causes which have produced them." This is the method of achieving scientific truth in any field—that is, by "observation, experiment, and the deductions from reason." The course of events in different countries, under different institutions and various systems of policy, are experiments which we should carefully observe to enable us to learn from the experience of other nations, as well as our own. Until that method is pursued to ascertain the principles of political economy, statesmen and nations will continue to grope their way in uncertainty and error and often be misled by rules laid down as principles but which are founded on false assumptions.

Lest by any chance the reader go astray in Seaman's mass of miscellaneous statistics collected in the manner of Henry C. Carey, he informed the reader in the preface that his was a protectionist treatise. Almost all the works used in the schools advocate free trade, he complained. "Though there are many reports, addresses, and speeches, and some substantial works which controvert those doctrines with great ability, yet there is no complete work on the subject of political economy" from that view. So this work is designed as a textbook for the protectionist side, for academies and colleges, common schools, libraries for mechanics, and other public libraries, and for "all classes of learners and inquirers into industrial, social and political questions."

The book went beyond the tariff and treated many matters that affected the "progress of man and of nations." In characteristic Whig fashion, Seaman disapproved of letting aliens become citizens. He also sketched the baneful effects of the "centralization of power and its concentration into the hands of one man or an aristocratic few." At the same time, he delineated the beneficent effects of associating and organizing individuals, "their capital and labour," by means of corporations, of great enterprises and undertakings which a few persons are incapable of accomplishing. Of course, Seaman was quick to state that he did not mean by association the principle of Fourierism or communism or a general community of property. This would

destroy frugality, individuality, inquiry, invention, progress. By the "organization of labour and capital, I mean the organization under general statutes of incorporation," as in New York. Laborers should be encouraged to seek their prosperity by buying shares in the companies. He advocated the New York free-banking system with the addition that a specie reserve for deposits be maintained either in the bank's own vaults or with a large city bank.

Support of the tariff colored every discussion of Seaman's. The lack of an adequate tariff, he found, was the primary cause of every panic, except that of 1837 which, of course, he attributed to Jackson's withdrawal of the government deposits from the second Bank of the United States in 1833.[16]

England's prosperity, wealth, and power, he wrote in his *Essays*, are due to the "talent, sagacity, and energy of the aristocracy" that has arisen from great manufacturing, mining, and commercial industry and enterprise. The relative power of their leaders has been so greatly increased that they are now dominant over the hereditary and landholding aristocracy. Being extraordinarily able and shrewd, they will flood the American market with British manufactures unless the United States enacts a suitable tariff system.

The full implications of Seaman's position were expressed in a lecture on "Human Progress, Its Elements, Impediments, and Limits," which he gave before the Young Men's Literary Association of Jackson, Michigan, around 1857–1858 and which the *Merchants' Magazine* printed with the editorial note that Seamen's *Essays* "form altogether the most able and valuable publication in its class." [17]

He deplored the "excessive" emphasis of the "progressionists" on formal education, whereas "industry" should be stressed, since it keeps people out of mischief. Another serious error these uncritical philanthropists make is to hold that intermarriage between the various "races" or peoples is desirable. This violates the fundamental principles of physiology. Among the truths "well established" is that "intellectual faculties are transmitted" to the succeeding generations. Therefore, if marriage occurs between "superior" and "inferior" peoples, the "superior" people will be weakened and die out.

The marriages of the European nobility are not only between parties of the same race, but also within a comparatively limited circle and smaller numbers of families of that race. Yet as a class they have not degenerated, but "have ever been, and still are, superior

in natural intellect, as well as in person, to the great mass of the people."

Like all respectable authors and lecturers, Seaman never forgot that commerce was the ultimate aim of inquiry, though of course he allied it with manufactures. So in concluding his lecture he declared that "commerce is the lifeblood of civilization" and one of the principle elements of freedom. All commercial nations have established "liberal institutions." Considerable commerce can only exist among people who are free, carry on manufactures, and have advantages for navigation. Slavery has always been more common in agricultural than in commercial and manufacturing nations.

### DAVID CHRISTY AND KING COTTON

From the West came a most effective defense of slavery in protectionist David Christy's famous *Cotton is King* (1855). Christy was an ex-newspaper editor and agent of the American Colonization Society in Ohio, whose other interest was reconciling geology with Christianity. He got his statistics, if not his philosophy, from *De Bow's Review*. He claimed that he wrote the book to convince the free blacks and the North that their abolitionist tactics were unwise. Colonization has heretofore had poor results, he said, because the alliance between abolitionism and free trade has made cotton king. The absence of a tariff satisfies cotton's demand for cheap, plentiful food supplies and monopolization of foreign markets. Men who might be manufacturers are forced to go West and enter food production. The West, instead of finding a profitable home market in the eastern factories for its agricultural supplies, turns for its market to the expanding demand of the planters as they increase cotton production. At the same time, England keeps her door open for the ever increasing cotton supply, for she has the American market for manufactures.

The abolitionists hypocritically condemn slavery but buy English manufactures grown by slave labor and thereby increase the dominion of King Cotton. The South, in obedience to the greater demand for cotton, was forced to the annexation of Texas and the Mexican War. For the same reason it opposed corporations and foreign capital in mining and manufacturing enterprises. It fought credit and the banks because the increased currency would raise the price of the western foodstuffs.

The worst effect of the alliance between abolition and free trade is that the increasing demand for cotton raises the price of slaves. This further prevents their emancipation. But King Cotton does not care whether the labor is slave or free, and so immigrants may eventually be substituted for the slaves if the abolitionists cease their activities.

Cotton's dominion cannot now be overthrown, but slavery might be eliminated by the policy of slow colonization in Africa, starting with the free blacks, who are shiftless and debased.

Southerners were overjoyed at this defense. On the eve of the Civil War, a later edition of Christy's essay with the subtitle: *Or, Slavery in the Light of Political Economy*, was included in a joint volume of pro-slavery arguments to supersede a similar earlier volume. The abolitionists, by destroying in effect colonization in Africa, were the cause of the prosperity and power of slavery in the United States, Christy declared. The institution cannot be controlled by moral or physical force, but is entirely subject to the laws of political economy. Therefore returning free blacks to tropical countries to supply tropical products to commerce, and not domestic insurrection, should be advocated by honest critics of slavery, for slave labor must continue as long as free labor abstains from supplying the demand of commerce for cotton.[18]

## CHAPTER XXXIV

# The Civil War

### THE NORTH

THROUGHOUT the war, a deep conservatism prevailed in the North. That barometer of respectable opinion, the academic world, looked askance at the advance of science. Huxley, Darwin, Spencer, and Mill, according to Professor Lyman Atwater of the College of New Jersey, were assailing "the fundamental moral and religious convictions of men from the scientific side with weapons claimed to be forged in the laboratory of physical science." [1]

Darwin's *The Origin of Species* was generally denounced. Though

Asa Gray, the Harvard botanist, gave it a qualified, cautious approval, maintaining that natural selection was not inconsistent with natural theology, his more influential colleagues, Louis Agassiz and Francis Bowen, quickly disposed of the book as rubbish and atheism from the standpoints of metaphysics and physical science.

Darwin's method was bound to be irreligious, said Professor John Bascom of Williams, for it "systematically rejects everything but physical causation." [2]

Bowen denounced Buckle and the rest of the English "philosophical radicals" for adopting degrading views of human nature and showing a "contemptuous disregard of the feelings and opinions which a vast majority of their countrymen hold sacred." They regard men as only thinking machines, as uniformly selfish, whereas the mass are really guided by turbulent passions.[3]

John Fiske, while attending Harvard, was caught reading Comte in church, and Bowen wanted him suspended for a year for harboring reprehensible ideas. Punishment was limited to public admonition, but Fiske was warned that if he spread his "mischievous doctrines," he would be instantly dismissed.[4]

Jefferson was being denounced by respectable opinion as much in the North as in the South. Lieber and his disciple, President Woolsey of Yale, were not alone. The *Continental Monthly*, a strong supporter of the Administration, said, "From Jefferson through Calhoun to Jefferson Davis, the diabolic succession of conspirators is complete." [5]

The Reverend Julian Sturtevant, president of Illinois College, professor of mental science and the science of government, including economics, influential in the councils of the state Republican Party and friend of Lincoln, informed the Yale alumni at their first war commencement that the most dangerous vice of the day is the disposition to substitute the will of democratic majorities for that of justice and the will of God. This reflects itself in the "great lack of the spirit of loyal admiration and reverence for a strong and energetic government." Because of past prosperity, the populace believes that we have almost no government, and should continue so. Foreigners are rightly disgusted with our attitude. Any discipline which would eliminate this notion would be good.[6]

Here and there a respectable voice did question the familiar thesis that the people, being easily corrupted by politicians, were not ready for universal suffrage. They were especially impressed by the sup-

port of the foreign-born for the northern cause. The conservative Charles Loring Brace declared:

"Now, in the hour of our peril, when the Southern demagogue counted on treason from the poor foreigner, even as he had found it among his own wealthy countrymen, at the first shot of our flag, we find the foreign-born rising, if possible, with more enthusiasm and patriotic self-devotion to defend the Republic than our own citizens." Henceforth the blood of the foreign dead on this soil consecrates universal suffrage "while the American nation endures." [7]

The higher learning in the North left no doubt of its patriotism. Wendell Phillips put it mildly when he said: "Scholarship sat dumb for thirty years, until imminent deadly peril convulsed it into action, and colleges in their despair, gave to the Army that help they had refused to the market place and the rostrum." [8]

Short shrift was given any dissenter; aggressive action was expected and enthusiastically given. Professor Francis Lieber of Columbia wrote patriotic songs, organized a propaganda society, and denounced those who cited his works opposing the rigorous measures of the Administration in suspending habeas corpus. He called on the merchants as men who know that "great and constant accumulation of wealth is requisite for modern civilization" to stand united against the absurdity of secession.[9]

But not until the exigencies of war had forced Lincoln to issue his Emancipation Proclamation did any large portion of respectable people hold that the slaves should be freed if the North won. Of course, in the border states, such as Kentucky, students of the social sciences among others were careful to defend slavery while condemning secession:[10]

Sturtevant spoke for respectable sentiment when he declared in 1861 before the Yale alumni: "The relation of the white man, the heaven-appointed lord of our soil, to the African, hewer of our wood and drawer of our water, will be adjusted on principles of equity and mercy to both." [11]

After the Emancipation Proclamation, Sturtevant elaborated this last point along Daniel Raymond's lines. Emancipation, he said, instead of leading to political and social equality of the blacks, as is foolishly feared, will eliminate the blacks. This will happen because the blacks will be exposed to the beneficent civilizing law of competition which, being based on the sacredness of property, is the test of value. Competition increases the population from the virtuous and

frugal, the healthy and strong in body and mind; not from the weak, degraded, indolent, and broken down. This is accomplished by the law of wages which declares that in every society there must exist at the bottom of the social pyramid a class which propagates only on pain of starvation and death for its offspring.[12]

Henry Carey, after explaining, as might have been expected, that secession was a legitimate child of the free-trade policy, called for a policy toward the South "that shall fill the South with mills, furnaces, with shops and northern men, and then the slave will become really free while his employers will become rich and the nation will become independent." [13]

Sturdiest opposition to the war came from the West and most strikingly from the old Democratic leaders who in the name of Jefferson and Jackson had fought the "moneyed aristocracy" of the Bank of the United States and proudly proclaimed themselves revolutionists intent on establishing democratic principles on the entire American continent by conquest and annexation. They called on conservative Republicans to join the Democrats, because the Republican Party is run by fanatical radical abolitionists bent on revolution and vengeance. The sovereign states must not be crushed, and peace must be speedily made for the sake of protecting popular government and constitutional guarantees from the autocratic national Administration. "Every white laboring man in the North who does not want to be swapped off for a free nigger should vote the Democratic ticket," exclaimed William Allen of Ohio.[14]

But Democrats were not the only westerners opposed to the war. Ezra Seaman of Ann Arbor, Michigan, in the first edition of his *Essays on the Progress of Nations* (1846), had complained that the country was in depression because of "the glorious system of free trade which the nullifiers have long been sighing after." In 1863, however, he was willing to grant almost all the demands of the slaveholders if they would remain in the Union.

In his *Commentaries on the Constitution and Laws, Peoples and History of the United States; and Upon the Great Rebellion and its Causes*, he proceeded to read the North a lecture on the "sacred doctrine of non-intervention." This principle, he wrote, recognizes the equality of nations, the right of each to form its own government and change it at pleasure, free from outside interference. The safety and security of small and weak nations depends on this principle and on the "public opinion of Christian nations" to pro-

tect them from the aggression of more powerful neighbors. The principle of non-intervention is also the cornerstone of religious liberty and American Protestantism. The federal government, founded on the "sovereignty of the people," is also based on the principles of non-intervention, with state governments in exclusive charge of municipal legislation and powers except for those specifically granted to Congress.

The Constitution, he continued, does not guarantee religious liberty, freedom of speech and press in the several states. It simply prohibits Congress from passing laws impairing these freedoms. Congress cannot prohibit the states from abridging these liberties.

Southern states have passed laws prohibiting education to slaves and even free blacks, but the national government cannot interfere without violating the sovereignty of the states. The southern peoples unanimously regard efforts of the abolitionists to force their opinions on the South and to establish schools for the blacks there, as infringing the rights of the southern peoples to govern themselves. So they have passed severe laws to protect themselves. Of course, we may condemn them, but we cannot deny their right to pass such laws. All such interferences produce more evil than good.

At the same time, he had no objection to the United States taking Mexico and Central America as a "protectorate." They would get protection and security, and the United States would get the "advantages of their commerce, and a theatre for our young merchants, teachers, professional men and politicians." Of course, the areas were never to be admitted into the Union as states equal to the others, for no people of the torrid zone was fitted for self-government or capable of maintaining republican institutions like those of our states. "We believe they are fitted only for subordinate territories or provinces of a foreign government, or for a military monarchy."

The old "radical" thinkers showed themselves quite conservative. Josiah Warren declared in his *True Civilization* (1863) that the American states were under an unqualified despotism brought about by the vote of majorities; that the war had arisen in good part because northerners had erroneously assumed that the whole South subscribed to the sentiment expressed by a southern paper "that slavery is the natural and normal condition of the laboring man, whether black or white." The inalienable right of sovereignty "properly understood, said Warren, is a great and final solution of all . . . strife," but it might work disastrously among an ignorant population

without preparation, as were the slaves. Therefore the reasonable northerner would say to the southerners, "While I assert the right of freedom to all slaves, black and white, I will exert myself to foresee and prevent, as far as possible, all unnecessary violence to you from slaves or from any other source."

Strangest of all were the antics of the Ricardian socialist John Bray. He had bitterly denounced slavery in his *Labour's Wrongs and Labour's Remedy*, but now in an anonymous anti-war pamphlet, *American Destiny: What Shall It Be, Republican or Cossack?* (1864) he not only defended the right of secession as the cornerstone of a true republic, but he also supplemented his old arguments against wage slavery with familiar pro-slavery arguments to denounce emancipation.

The anti-slavery crusade is only one phase of the spirit of cossackism which has recently swept over the North and made it lose sight of the original principles of our government, he wrote. Thanks to the unscrupulous designs of scheming politicians and the system of popular suffrage, it has become an axiom that the majority has a right to govern on all subjects, and that the minority has only the right of submission. The assumption of power by the majority to govern the minority in matters private and personal, such as slave property, would justify the horrors of the French Revolution and every agrarian change and outrage which a starving majority might determine as necessary for its benefit. It gives rise to the cries that "property is robbery" and "the gains of the rich are the losses of the poor."

If a northern majority has the right to control the southern minority and declare what shall be held as property, what is to prevent the disposal by the same majority and in the same manner of the factories of Lowell and Manchester, and every other accumulation created by the labor of masses? Even if it be granted that slavery is a relic of cossackism and out of place in a republic, how much does such slavery differ in its results from that of the people of countries cursed with a moneyed aristocracy supported on the interest of a huge national debt caused by the senseless wars of the past?

The world is full of wrong, but slavery is not the worst. The personal liberty accorded the individual determines the state of the people, not the mere external form of the government. There is at least as much liberty in France under the present empire of Napoleon III as under the Republic, but there is more safety to life and property.

Since the status of the people advanced, the change from a republic to a monarchy was not retrogression but progress.

Future ages will wonder at the blunders of a great free and wealthy people's forging fetters for themselves and wasting their blood and treasure in an attempt to suppress self-government and change the name by which the black race among us shall henceforth be called.

The war is anti-Christian because its proponents advocate the division of all rebel property among the blacks. This crushing of the dominant superior white race cannot elevate the Negro, and it would destroy at once every element of national prosperity. The natural state of the black in every warm climate is nakedness and indolence. The free black would raise just enough for existence. The cultivated plantations would return to the wilderness. Capital would disappear. No commerce would exist because there would be no surplus. Manufactures would cease. The northern ships would rot for lack of commerce, and the factories be silent for lack of customers.

In a sense Bray's pamphlet was consistent with his earlier treatise. He later explained in his autobiographical sketch that the remedy he had originally suggested for *Labour's Wrongs* was universal cooperation between capital and labor in all occupations, voluntarily or by force, the substitution of paper money for specie, and the abolition of interest on loans.

The former Chartist John Campbell eventually followed the majority of "reformers" on slavery. On the outbreak of the Civil War he bitterly denounced those Democrats who refused to support Lincoln's Administration. He called himself a Douglas Democrat—that is, a believer in the right of the territories to decide for themselves whether to have slavery; and he denounced the Breckenridge Democrats who had called for toleration of slavery in all territories. Campbell declared that he was no "advocate of black republicanism," that a good deal of the dissension arose from the "foreign influence" of English aristocrats, orators, pseudo-philanthropists, who "have been endeavouring to undo the work of almighty God; they have been trying to make a public opinion that the Negro race ought to be placed upon an equality with the white." England preached abolitionism to safeguard her monarchical institutions and to do the United States mischief. But southern secessionists had raised the black and bloody flag "to destroy the best system of government that was ever founded in the ingenuity of man," and those northern

Democrats who refused to support Lincoln and his Administration were traitors.[15]

Of course, as he wrote one government official at home, "nothing will tend to make your Administration more popular than to turn out every tool of the late Buchanan dynasty and appoint some of the supporters of the late Senator Douglas to office under you." [16]

But as the Administration moved toward the Emancipation Proclamation, Campbell became the publisher for the "Copperhead" effusions in Pennsylvania, and the very newspaper that had published his denunciation of "traitors" reminded him that the "men who shouted for Douglas are now shouting for the men who hunted him to his grave." [17]

He informed former President Buchanan that Buchanan's critics were "black republicans" and base ingrates, and that it would be a feather in his cap as a publisher if he could have the honor of publishing Buchanan's reminiscences.[18]

Old Loco-Foco leaders were also to be found in this camp. There was the case of John Hale Hunt. In the early days the Loco-Focos had hailed him as their great theorist. He was, they said, one of the "most ultra of democrats in all his principles," and his abilities "should place him in the front rank of the Democratic Party; but such a man cannot be made a tool of those who get up candidates for the people, i.e., the pettifoggers of politics." [19]

Hunt did not achieve political prominence, but he remained an "ultra democrat." Now in 1862 he presented a program for the achievement of what he called "perfect democracy." The medium was his anonymous *The Honest Man's Book of Finance and Politics*, which was printed by John Windt, the close associate of George Henry Evans. In this anti-war and pro-South treatise, Hunt still denounced excessive government powers, usury, land monopoly, the love of mammon, and the oppression of labor. As before, he attributed these evils to the "credit system" or the "aristocracy" of banks with note-issuing power. The immediate remedy would be simply a gold standard, with the units of coin arranged in a decimal currency "having for its standard unit so much gold as one average day's work by a man of average skill and strength ordinarily produces."

To achieve and safeguard this "perfect currency" requires the establishing of a "perfect democracy." This in turn calls for revision of the principles of admission to the electorate. "Homogeneousness" is one essential. To attempt to yoke together under the "same

political helm" whites and blacks—that is, to treat them equally politically—is like yoking together the "honest and knavish, savage and civilized. It is . . . contrary to Democracy to disregard distinctions that are real. . . . When a country is peopled by different races, it is for the interest of all that it should be governed by its *most advanced* race; the rule of inferiors being intoxicating to them and debasing to the ruled." There was no question to Hunt that "aliens have no right to meddle with the functions of the government that shelters them." But there are two kinds of aliens: those who are "aliens in consequence of the *place where*, and those who are aliens in consequence of the *race whence*, they were born." The former class can be naturalized, but not the latter.

A second essential for determining who should belong to the electorate is "a fixed interest in the country's welfare," which means property ownership. A third essential is the "*power of self-support and self-control.*" It is both foolish and cruel to "thrust the cares of state upon men who cannot carry their own weight nor preserve their own independence; and the political powers confided to such are sure to be usurped or controlled for dishonest purposes, by knaves and trucklers."

The "revolutionary fathers" of New York, who were lovers of justice and freedom and not demagogues, were not afraid to acknowledge these principles. So they inserted in the state constitution freehold qualifications for the electorate. Consequently "our best and bravest intellects were to be found in the legislature and the standard of political morality was many degrees above the state prison level or the level that prevails now."

But in 1822 our "false democracy attacked the vitals of Democracy, the sole safe-guard of electoral purity, by abolishing the freehold qualification and entrusting the governing power to the *anarch Every Body*. . . . We reversed the true order of things, giving to the weak and foolish *paper* power instead of *true service and protection.*"

So Hunt proposed, in the spirit of the old state constitution, that the propertyless should be disfranchised and that the higher the office, the greater the property qualification for an elector. Citizens who were at least thirty years old and possessed freeholds worth at least five hundred days' work would choose the governor and senate; citizens who were twenty-one years old and had a freehold worth at least one hundred days' would choose the assembly. To the elected governor, lieutenant governor, and senate should be given the power

to appoint the other officers who are now elected, such as judges. The electors, he said, are incompetent to judge the proper qualifications of "professional men," as these officers should be. The new qualifications for electors, would "confide the more important and more delicate governmental powers" to the ablest and best class of men, "to those who would have least to gain, and most to lose, by any iniquity of government." It would give the junior freeholders ample power to protect themselves against any possible attempts at partial legislation, also the advantage of much practical tuition and experience in the conduct of public affairs before the weightiest public business could devolve upon them. The scheme therefore would tend, as does "every true social distinction, to foster a spirit of magnanimity and mutual respect." It would open the way to a "healthy organic national life; for, so long as the constituent atoms of the social chaos remain unassorted"—that is, not arranged hierarchically—"life of any sort (unless we call turmoil life) is impossible."

To prevent despotic party control, every voter should be required to give his vote by voice or by a signed document. Such publicity would not militate against the independence of the voter. "What sort of 'independence' must that be, which fears to show its face on its own premises, by day-light?"

Under this simple arrangement government would cease to be a "war club of party; for, with an electoral body thus constituted, the Working Men and Saving Men of the country—the great Producing Interest—would soon be the RULING INTEREST, and then politicians would become as peaceable, as free from the spirit and claptrap of Party as the mathematicians have been for the last six thousand years." Perfect democracy would thus be achieved.

"That only is a Perfect Democracy, or Government of Manliness," which subordinates "Quantity to Quality, and Numbers to Good Sense and Virtue. (God, though in a minority of one, morally outnumbers all the devils.) Democracy puts power in *the right hands*, instead of all hands."

The prevailing counterfeit democracy is based on the "confounding of Equity and Equality. . . . The holy truth, that God regards and rewards all men *impartially*, has been twisted into a notion that 'all men are born *equal*' and therefore sin against right whenever they raise themselves above anybody, either in industry or temperance, or modesty, or any other virtue. . . . We have made Equality a sort of moral swill-tub, into which all must be plunged without regard to age

or sex, color or character. . . . Thus our past efforts to establish a Democracy, have only resulted in an Aristocracy of Baseness."

Meanwhile Karl Marx supported the Union and emancipation. From London his International Workingmen's Association congratulated Lincoln on his re-election. Lincoln's enthusiastic reply was naturally made public, and Marx could write his collaborator, Friedrich Engels, that the fact that Lincoln has "replied to us so courteously and to the 'Bourgeois Emancipation Society' so rudely and purely formally . . . has made such a stir here that the 'Clubs' in the West End are shaking their heads over it." [20]

The material exegencies of war had to square with old commercial principles. The government had to resort to a draft to raise troops, but service could be avoided by providing a substitute or three hundred dollars. Members of Congress declared that commutation of services was essential so that the war should bear as lightly as possible upon the country's productive industry. James G. Blaine declared in Congress that substitution is essential for the benefit of the "great 'middle interest' of society . . . on which the business and the prosperity of the country depend." As in previous wars, trading with the enemy could even go on legitimately. Agents of the Treasury could go beyond the lines of the Army in certain cotton districts, paying two-thirds of the purchase price in currency and one-third in supplies, not contraband. However, pressure was constantly being brought to extend the trade or make it "freer" in the sense of letting the enemy receive a negotiable form of payment.

Edward Atkinson, with the aid of John Murray Forbes, Boston merchant and railroad executive, persuaded Congress to allow greater freedom to this trade under the guise of a measure that "all cotton seized by the military or naval authorities, shall be delivered to the officers of the Treasury and vouchers shall be given to the owner or claimant" of such cotton, entitling them to payment at the end of the war in United States bonds. When Lincoln vetoed the bill, Forbes wrote Atkinson in disgust, "I could have wrung his [Lincoln's] long neck! I suppose the cotton speculators around him were too many for him." [21]

In 1864 Congress passed an act allowing contracts to be made in foreign countries in which immigrants pledged their wages on any other property they might acquire to pay for transportation. Under the act the American Emigrant Company was incorporated in Con-

necticut. It had capital stock of $1,000,000 supplied by bankers, employers, and politicians. It was endorsed by the former Secretary of the Treasury and then Chief Justice Salmon P. Chase, the Reverend Henry Ward Beecher, Charles Sumner, and Henry Carey. An advertisement declared that arrangements were so complete that any kind of labor could now be obtained in any numbers and at reasonable cost.[22]

At this time economists made it quite clear that trade unions constituted vicious interference with the law of competition. Combinations both of labor and capital, exclaimed Bascom in his "The Laws of Political Economy in Their Moral Relations," have sought to interfere with "the free action of intelligent self-love." Combinations of capital to reduce wages are of little concern because they have little sympathy, and few justify them. But a strike for higher wages, "springing as it frequently does from urgent necessities and affording the only apparent remedy, often enlists the benevolent interest which weakens just claims, and blinds the judgment to the real results." Such violent interference by labor with the "natural relation" is not only immoral but futile, as all economists have shown.

Likewise, trade-union restrictions or strikes are vicious attempts at monopoly; for, where all have the equal rights of free competition, success goes to the laborer with superior intelligence, economy, and integrity. The workman bred by ignorance, poverty, and lack of trustworthiness to a single occupation and place must endure all the disasters which those circumstances may bring upon him. "The world is a severe school of forethought, and when it scourges the culprit, he shall not escape." Even private charity is generally bad. In the march of an army, the humanity which prompts us to relieve the diseased fallen is "less wise, than the requisitions which enforce a more thorough observance of the conditions of health, and cut off weakness through the hardy vigor of judicious discipline." The charitably inclined should remember that "men perish under law, not less than live under law." [23]

The noblest charity, Sturtevant maintained, was for the wealthy to endow private corporations of learning. This would also satisfy that divinely implanted desire of all men to obtain the good will and esteem of present and future generations, but any charity to the poor could only neutralize the law of self-help and competition. Such contributions for learning would not be a serious drain on business capital, for "we think there can be little danger, that a people as calculating, so

intensely money-loving and money-getting as we are, will withdraw more than a reasonable share of their capital from active business, for the erection of such edifices." On the other hand, he deprecated state control and administration as too unstable.[24]

Sturtevant soon found that the money-loving business community had more use for its funds in the inviting financial opportunities of the day. So with attendance at his college down to almost zero, he went on a mission to England to plead for the northern side.

As in the country's previous wars, the problems of finance were paramount. Lincoln's first Secretary of the Treasury, Salmon Portland Chase of Ohio, was a New Englander by birth and education, a good Hamiltonian, and a western progressive of the Lincoln stamp in everything from a tariff to a national bank. He had opposed Jackson and had enlightened readers of the pro-bank *American Quarterly Review* in 1832 with the opinion that America would reap the benefits of the factory system and none of its evils.[25]

On the outbreak of hostilities, the government got loans from the powerful eastern banks, the "associated banks of Boston, Philadelphia, and New York," as they were called. But the banks quickly enough suspended specie payments, and the government resorted to financial expedients which would do the least amount of tampering with private enterprise, short of losing the war. A low income tax, paying small regard to the principle of progression, was passed; but it yielded little revenue during the war, and a substantial part of it went for bounty money for recruits. Excise duties were restored on a large scale, and tariff duties tripled.

Loans were, of course, expected to be the chief source of revenue. But Chase and Congress broke with one great precedent: that the government must not issue legal-tender paper. New York capitalists, led by George Opdyke, then mayor and good friend of Chase, presented a memorial to Congress in January 1862 that the government paper must be made legal tender in order, among other things, to maintain government bond prices and furnish the Army with supplies.[26] The act authorizing greenbacks, as the paper was called, provided that interest on the public debt and import duties be paid in specie.

Chase finally realized his dream of a national bank when Congress in 1863 established a national banking system, ostensibly to furnish a market for government bonds. It was based on the New York free-

banking system. Banks chartered by the federal government were to be government depositories and share in the issue of a fixed amount of national bank notes secured by federal bonds. The powerful eastern banks at first opposed the system. Supported by the leading hard-money economists, they asserted that it was Jackson's scheme of pet banks, and that federal charter would mean government interference.

"A Member of Congress" was incensed that the New York Clearing House Association should declare that the scheme was for setting up wildcat banks in the small villages of the West. They fail to mention the new $5,000,000 national bank now being organized by Mr. Opdyke with the support of Peter Cooper in Wall Street.

The critics are committing suicide in asserting that the national bank currency would mean that the government and the country would be paying interest for notes that are now non-interest bearing—namely, the greenbacks. If this is so, then the state bank notes ought also to be withdrawn, for the profit of their circulation accrues to the stockholders of the banks without any benefit to the government or to the people; and to the extent of the gain obtained by the state banks, an equal amount of benefit in the circulation of the legal-tender notes and of the national currency is filched from the government and the people.

Would not the withdrawal of the notes of state banks from circulation have an equal if not a greater effect in checking the depreciation of the currency as the withdrawal of the same amount of legal tender or national bank notes? The government's loss in interest through the national bank currency is more than repaid in a stable currency and a lower interest rate on loans both to government and business, and by the avoidance of depreciation of bank notes, of premiums on domestic exchange, and of local bank failures.[27]

A federal tax of 10 per cent on state bank notes and allowing banks to retain their old names helped to bring over leading banks to the system. Amasa Walker was the first of the hard-money economists to reverse himself and favor the national banking system, once it was established.[28]

As in the Revolutionary War, businessmen and economists supported the use of loans and legal-tender paper rather than heavy taxation to finance the war. The wisdom of Alexander Hamilton was cited by writers to show that government outlays and public debts create capital and make trade brisk.

David Ames Wells published an extremely popular pamphlet, *Our*

*Burden and Our Strength* (1864), in which he argued that England with a proportionately greater debt had done wonders, that the increasing debt of the United States would be only a slight burden if any, because the rapid accumulation of capital, labor-saving devices, and a permanent protective policy were multiplying the productive capacity of the nation.

Atwater maintained that speculators, and not so-called currency inflation, caused the great increase in prices. The greenbacks gave confidence to business. Business debts were more easily paid. Business was further stimulated because at first the rise in prices was not offset by a rise in the cost of production. If government and the banks had tried to maintain specie payments, the result would have been crises and panics because the imports would have drained gold from the banks and thereby prevented loans to government and business. Atwater added, however, that the government should always attempt to limit its issues as closely as possible to the normal specie standard. So, for instance, it should issue more bonds, as it was attempting to do, instead of greenbacks.[29]

Alexander Bryan Johnson, who later became a "Copperhead," early praised the legal-tender notes; but, he said, the government must at the same time always provide a profitable use for the notes in the form of government securities. Otherwise the notes become a kind of forced loan without interest, and thus the worst conceivable means of obtaining money except taxation, which is a forced gift. This means also that government should pay a high enough interest for the money it wants instead of creating unproductive capital.

The loss in manpower caused by the war is overbalanced by this creation of capital, Johnson said. On the other hand, the men in an army are to some extent drones in private life and produce much less capital in the aggregate than they receive from the government in pay, subsistence, and clothing. Since this receipt from the government is represented by public stocks, the national capital is increased to a greater extent than in times of peace. This explains in part that practical paradox: that modern wars, instead of impoverishing a country, increase its wealth. The stimulated activity evoked by the government's war consumption produces more capital than in times of peace. The destruction of capital occasioned by the conflagration of Moscow aroused a creative activity in Russia which soon compensated for the destroyed capital, and has continued in active operation.[30]

Even Walker, who had always preached for hard-money, acknowledged in Congress that greenbacks were necessary; but to prevent inflation, he thought the government should place even greater reliance on interest-bearing treasury notes and offer a higher return on bonds than 5 per cent.

Promoters and promoter-minded economists kept up an unending chant on the virtue of the greenbacks. The convention of the incorporators of the Pacific Railroad, of which Ruggles was a prominent member, applauded a speaker who said that government paper money has created an easy money market and thereby funds could be obtained in this time of stress to take advantage of the magnificent government land grants and other aid in the form of bonds. The French overturned the monarchy with *assignats;* England beat Napoleon by paper. "Paper and credit have built our cities and railways; paper and credit are now fighting the greatest battle ever waged for national existence." Gold is a nuisance, and the suspension of specie payments has reduced it to its natural status as a commodity.[31]

Edward Atkinson, a leading New England cotton manufacturer and promoter, argued that "cheap money and cash trade has been heretofore the great advantage of the English." [32] He demanded in 1865 that the country have a secretary "who really believes a greenback to be as good or better than gold." Then the people will believe it, and their faith will make it true.[33]

Henry Carey, in his *The Currency Question* (1865), attributed the great prosperity to the greenbacks and protection, for these enable the government to pay its debts and provide the necessary circulating medium. The option of turning the greenbacks into bonds bearing specie interest provides a perfect safety valve. More specifically, he opposed increase of taxes and wanted greenbacks along with loans so as to prevent money from becoming tight.

His disciple, E. Peshine Smith, then holding an important post in the office of Secretary of State Seward, was rather disturbed that the government, through the "inflation," would actually be paying more in higher prices for goods than in any possible savings or interest on loans. But he felt the responsibility for the inflation might be thrown on the banks. Congress, he wrote in 1864 to Carey, should next year levy a tax on discounts to prevent the inflation.[34]

The astute Stephen Colwell performed in his usual manner as he pushed his ideal of an inconvertible currency controlled by the powerful eastern banks.

Even before the passage of the greenback measures, Colwell saw their necessity. In an article in the *Bankers' Magazine* in January 1862, signed "Philadelphia," he came out for "a Currency of Treasury Notes." The government could obtain its necessary loans more easily by making an issue of paper, for this would quicken the pulse of industry, increase the facility of collecting debts, and render it less difficult to withdraw public money from the channels of business and devote it to the services of the public. A national paper currency is both desirable and economical if issued under the control of the leading banks. The banks would receive the government currency for all debts and on deposit, and the banks would pay it out in place of their own notes to prevent the evil of an uncontrolled government currency. The government, of course, would give assurances that it would not be issued more rapidly than might be agreed upon with the banks from time to time. The government would pay all expenses incident to circulating the currency and also pay the banks for abandoning their own notes.

The government would pay its expenses in treasury notes, to which the bank would give increased currency by receiving them and paying them out again as they would their own notes. With discreet management the system would pay its own expenses, pay the bank for its agency, and leave a good margin of profit to the public treasury. It would protect the banks in time of commercial convulsions and enable them to weather the storms without those violent contractions which are dangerous to every commercial and industrial interest.

While the first greenback bill was pending in Congress, Colwell, through editorials in the influential Philadelphia *North American,* gave it enthusiastic support, but he still wanted the "associated" banks to be paid to manage the business. If legal tenders are not issued, then the government must glut the market with loans and huge discounts. But a whole people confident in the solvency of whatever the government may issue are anxious to use its notes at par in all monetary transactions, and most of the western states would be greatly relieved by the opportunity. The only difficulty would be in the cities "towards which money tends in large payments and whose business is after all, the basis on which all business in the country rests."

He wrote the leader of the greenback forces in the House of Representatives, E. G. Spaulding, the Buffalo banker, that the city

banks could enlarge their discounts by the use of the legal tenders beyond what they could safely do on their own circulation. "But I regard their hearty co-operation in maintaining the issue" as so important that it would be worth while for government to pay them "for the services they can render." [35]

As the greenbacks depreciated, Colwell, as might have been expected, declared that "gold is up, the currency is not down." In another influential newspaper, the *Philadelphia Press*, in 1863 he said that the paying and purchasing power of the greenback is fully equal to that of gold three years ago, "making allowance for facts and circumstances and changes which neither gold nor currency has any influence in producing." In fact, the increase of currency thus far "is under and not in excess of the legitimate wants of the loyal states." But, of course, it requires the commercial knowledge, skill, and experience of practiced bankers to manage a full circulation of paper money. With such management a large amount may be issued without the evils of depreciation; but if this management is lacking, even a small issue would be dangerous.[36]

In a signed article that appeared shortly after Chase's resignation as Secretary of the Treasury in 1864, Colwell argued that whatever errors Chase committed were traceable to his failure to rely on the powerful eastern "associated" banks—those of Boston, Philadelphia, and New York. Chase refused their legitimate request to be made depositories of the government, wrote Colwell. This, of course, would have required a change in the Sub-Treasury Act, but it should have been obtained. They should have been made the distributors of the loans. True, they suspended specie payments, but this was done to prevent foreign enemies, domestic traitors, and the rebels themselves from disturbing our public finances, destroying private credit, and spreading commercial alarm.

The issue of legal tenders was also a necessary measure, but Chase should have arranged with the associated banks to control the extent and mode of circulating the treasury currency. This failure accounts for the great rise in the gold premium which the proponents of the absurd quantity of money theory, in contrast to the popular voice, attribute to paper. By letting the powerful banks drift away from the service of the government, Chase made their vast resources available to the speculators in gold. Naturally, the banks opposed Chase's national-banking system measure, especially since it was to tax their

circulation out of existence without any compensations to them. But there must be a sound national-banking system to cope with the extraordinary demand for specie for export at various times.

In England the difficulty is partially met by the Bank of England's control over the rate of interest and the whole money market. So Colwell suggested radical "amendments" to the National Banking Act to achieve the English organization in the United States. These were, first, that any parties may incorporate a bank provided they bought a minimum of $1,000,000 of government bonds of any one loan as security for deposits. These banks might transact all the usual banking business except note issue, and they were to be employed as government depositories as occasion warrants. Second, he again proposed his scheme of making bank notes and deposits payable only on the maturity of the loans which gave rise to them. Third, the leading banks—the "associated" banks—should be employed along with the national banks as agents of the Treasury. The capstone of the scheme was his old national bank, which should form a part of the national-banking system as soon as the leading city banks were included in it. He now called it a "great bullion bank" in which large sums could be deposited and transferred by check. Of course, New York would be the one depository. The banks and the government would be the chief depositors.

As for financing the war, government should rely primarily on loans. Borrowing takes only from those who have spare funds. Taxation threatens to damage the poor—the industrious—for it tends to absorb the country's working capital. So taxes should be no more than is necessary for the government's ordinary expenses, the interest on the debt, and 5 per cent for redemption of the debt.

In levying taxes care must be taken not to obstruct the growth of manufacturing power. Thus the present tax of ten dollars a ton on pig iron is especially vicious. It is a great error to assume that large production implies large or even "living profits." It is also a mistake to assume the manufacturer can generally add the tax to the price of the product. In most of the large manufacturing establishments, a fair profit is not realized every year; they prosper by obtaining large profits once in several years. Hundreds of thousands of tons of pig iron have been made during the last ten years on which the profit did not amount to the present tax of ten dollars a ton—indeed, on which nothing was made.

Colwell's ideal tax was 1/10 of 1 per cent on all payments of twenty

dollars and higher. The collection would be easy. The banks could collect one-half, perhaps two-thirds of the whole tax, at a service charge of ½ of 1 per cent.[37]

Proposed by Carey and supported by the Pennsylvania congressmen, Colwell was made a member of the all-important three-man commission set up by Congress in March 1865, to inquire and report on the best way of raising by taxation such additional funds as the government might require. The chairman was Carey's disciple, Wells. At the same time, through Carey's aid, another of his ardent disciples, William Elder, former physician, lawyer, newspaper editor, and popular lecturer, was made statistician in the Treasury. He had already informed the country that its great prosperity was due to the effect of the tariff and the gold premiums in keeping out foreign goods.[38]

From the start, of course, there had been considerable opposition to the financial program of the government; but it came originally mainly from the minority party, the old hard-money democracy, which condemned almost in the same breath paper-money devices and the "vindictive" attitude toward the South. They argued that the legal-tender and the national-banking acts of the "radicals" that comprised the Republican Party would lead to repudiation of the public debt.

Among the leading theoreticians and pamphleteers of the group was a New Yorker, Alexander Delmar, who, like Justus Erich Bollmann and Thomas Cooper, was a sort of encyclopedia of all knowledge, especially finance. His father had been a Treasury official; he attended private schools, then studied in England and in Spain at the Madrid School of Mines. Returning to New York in 1854 at the age of eighteen, he became a journalist. During the war he vociferously supported the "conservative" Democratic Party, denounced the "radical" Republican Party, and stood for gold and free trade.[39]

In the press, especially in the campaign of 1864, Delmar went to great lengths to portray the great "paper bubble" as the prelude to "the coming bank explosion." Any man who votes the "Republican ticket" votes for the "slavery of white men, and the elevation of a few tyrants." He went on to explain, "We have yet to learn, with an immense population of unemployed laborers, and destitute paupers, and a few arrogant money aristocrats, to what extent the great bubble of paper expansion is capable of being blown. Such are the class of men who form our loyal Leagues, such as those who send their wives to

crown redolent Negroes with martial bays, who drum their patriotism with unceasing clamour in the nation's ear—a patriotism which, like the drum they echo it on, is both deafening and hollow." [40]

At the same time, he and another fellow spirit, the youthful Simon Sterne, decided at the close of the war to start the *New York Social Science Review: Devoted to Political Economy and Statistics.* The editors complained that only a few of the country's political economists have principles which we can fully endorse, and these few have been the chief contributors. Among the selected contributors that the editors listed was at least one pseudonym used by Delmar—"Emile Walter, Esq." Later, in 1867, he used the same pseudonym in his adaptation of Bastiat's anti-protectionist work, under the title of *What Is Free Trade?* but at that time the pseudonyn read, "Emile Walter, worker." [41]

Interestingly enough, the editors saluted Herbert Spencer's *Social Statics* as being the starting point of "modern Social Science" and playing the same foundational role for that comprehensive discipline as Adam Smith's *The Wealth of Nations* did for political economy. Of course, they could not tolerate Spencer's heresy that society should own the land, lease it out to the highest bidder, and employ the rent for the general purposes of society. Government, they said, is a bungler, and private property in land as in all things is essential to society because then only is the necessary inducement held out to use the land to the best advantage.[42]

But Spencer's general proposition of freedom for the individual from government restraint is the great truth, Delmar said. His constant praise of Spencer took the form of lauding him for holding to "free banking" and "hard money" as against the "agrarian, national banking system." [43]

As victory became certain in 1865, a growing number of economists and businessmen increasingly disapproved of the issues of greenbacks and the increase of the public debt. The business journals were now full of articles denouncing these policies as threatening the ruin of the country. They were especially disturbed that the government might not redeem the greenbacks and bonds in specie at the full nominal value. Such criticism was intended also to refute the cry for price-fixing. As a consequence, the objective was less an actual reduction of government obligations and more the protection of "vested rights."

The loudest attack against the government policies came from a

new light in economics, a professor of mathematics in the United States Navy, Simon Newcomb (1835–1909), whose arguments were reminiscent of those of John Adams against Alexander Hamilton.[44] Newcomb was born in Nova Scotia of New England parentage. He was graduated from the Lawrence Scientific School of Harvard in 1858. However, long before he entered Harvard in 1854, Newcomb had read Say, his first book on economics. He wrote that it was "quite a delight to see human affairs treated by scientific methods." The effect of Say on Newcomb never wore off.

Newcomb, who was famous in the exact science of astronomy, always discussed economics in the loose fashion of an extreme believer in traditional *laissez faire*. Economics, he warned, is a pure, exact science, to be studied "by the aid of human nature and sound logic." Experience is of minor importance. Price-fixing is communism.

On these bases Newcomb made a slashing attack on the national debt, the greenbacks, and the national-banking system. The government should in the future, as it might have done in the past, resort to heavy taxation, not to loans. But the type of taxes he advocated bore down directly on the laboring mass rather than on business enterprise. He would especially tax occupations—from $30 for an unskilled laborer to $100 or $200 for men in the liberal professions. An income tax in theory is the most just tax, but in practice it is unequal because of the difficulty of defining income.

Had the government resorted to the banks and private capitalists, it could have secured sufficient loans and gold for all purposes. Government credit was low because of the opinion of the people as to its value, and all that the speculators did was wisely foresee the opinion.

The government, by suspending specie payments, committed the grossest dishonesty; but he excused the prior suspension of specie payments by the state banks on the ground that every taker of their notes always did so with that possibility in mind. This is so because the frequency with which the American banks have suspended specie payments has habituated the public to read every bank note with the mental reservation "if we do not suspend," just as every promissory note contained the understood promise, "if I am able."

He reiterated that the National Banking Act made the sovereign right over the currency a free gift to the national banks and deprived the government of the profit of the issues. Likewise, the tax-exemption privilege of government bonds is a free gift, but this privilege is not to be taken away from existing issues. The government suffered

a terrific loss from the issue of bonds. These are purchased with depreciated greenbacks, but the government must pay in specie because, unlike private debtors, it can use the taxing power to redistribute wealth to pay the creditors.

For good measure Newcomb finally warned that when the war ceases and the process of redeeming greenbacks and bonds in specie begins, debtors would unjustly suffer just as creditors have during the inflation.

Furthermore, instead of preventing national convulsions, the debt may cause a political revolution. Irrespective of who originally held the debt, it will inevitably gravitate to the rich and frugal; but these few will be outnumbered by the taxpayers. On the same principles, the debt will gravitate from the West where capital is scarce, to the East where capital is plentiful. Since the western states hold more than half the political power, "how long before they will forget the mills and factories, and fences for which they have exchanged the debt? How long before we shall see a race of ambitious and unprincipled demagogues" seeking power by advocating "agrarian" measures to relieve the poor and western peoples of paying taxes to the rich easterners? [45]

Bowen congratulated Newcomb on his analysis. "A Professor of Mathematics in the Navy, . . . he shows the effects of sound mathematical training by his skill in analyzing the complex problems of finance." He wisely carries his investigation of each point back to first principles, in other words, to "those maxims of common sense which everybody admits." The country has gotten along well without a national bank since the issue was settled in 1841. But Bowen did feel that Newcomb was going too far in ruling out all government paper money. The trouble is that government has always been unable to restrain its issues to the currency needs of the country.[46]

Doubtless Newcomb and Bowen would have been disturbed had they known that John Stuart Mill had privately written that, while most Englishmen were appalled at the "financial recklessness, . . . I do not . . . see how you [Americans] could have done anything else in the way of finance." [47]

Newcomb's fears were already beginning to be realized. Edward Kellogg's daughter published a new edition of her father's book under the title, *A New Monetary System,* at the beginning of hostilities, and before the war ended it attracted many disciples. Most notable

was Alexander Campbell (1814–1898). For a time Campbell managed iron works in Pennsylvania, Kentucky, and Missouri. Beginning in the fifties, he was in politics in Illinois, serving first as a mayor and later as judge and congressman. Like Kellogg, he appealed to the "industrial" classes, a rather wide category, but this entitled him to call himself a labor reformer and to appear at so-called labor congresses and meetings. He saluted Kellogg's work as the "gospel of finance," but proceeded to make modifications to fit the situation of greenbacks and public debt or, as the title of his pamphlet stated, *The True American System of Finance; The Rights of Labor and Capital, and the Common Sense Way of Doing Justice to the Soldiers and Their Families; No Banks; Greenbacks the Exclusive Currency* (1864).

Under the Campbell scheme the notes were also to be legal tender and be interconvertible with bonds; but instead of a 1 per cent rate of interest for the bonds, and land or other security for the notes, the rate of interest on bonds was to be 3 per cent, and the money was to be issued simply in government payment for supplies and services.

Kellogg had started out by supporting a national bank, but Campbell demanded that Congress repeal the shoddy banking system "miscalled national." Like the strong state banks, Campbell argued that every dollar of bank currency put in circulation necessarily replaces a like amount of greenbacks and increases taxes to pay interest on government bonds. The loans and the national-banking system are virtually exempt from taxation.

His scheme, Campbell said, is adapted to the genius of our free institutions. The people will have the power to determine the amount of currency necessary to transact the business of the country and in great measure to regulate the interest of capital. If the rate of interest rises above 3 per cent in legitimate business transactions, people will convert their bonds into greenbacks until the rate falls to 3 per cent. Every branch of productive industry will be quickened and we will achieve the permanent national and individual prosperity without which we cannot develop our great national resources and become self-sustaining.

The economy of the system will enable the country to pay enough to induce men to become soldiers, and to compensate properly the widows and orphans. It will benefit the producers and distributors who furnish supplies by paying them liberally and greatly diminishing the burden of taxation. Most important of all, it will restore com-

mercial relations between all parts of the Union and give every citizen a pecuniary interest in preserving the government. It will require no aid from bankers, miscalled capitalists.

To the argument that lowering the rate of interest would raise the price of all the products of labor and talent and thus would oppress labor, Campbell replied that if the product of labor is high, so will labor be. Keeping down prices by raising the rate of interest is simply robbing labor for the benefit of capital.

Where Kellogg's followers hoped to make every "industrious" man a capitalist through greenbacks, another "laborite" group hoped to achieve the same result through an eight-hour law. This group was led by Ira Steward (1831–1883), who was something of the same type as Campbell.[48] He based his point of view on the orthodox doctrine of Mill, that no remedy for low wages can be effective unless it causes a change in the habits and customs of the laborers. Overworked man has no ambition to ask for more than will satisfy his bodily necessities. But more leisure will create motives and temptations for the common people to demand more wages. When all ask for the same wages, no motive for refusing exists, since all employers will be in the same position. The change in habits will be too gradual to disturb commerce and enterprise of capital. The increase of wages will fall primarily on the wastes of society in its crimes, idleness, fashions, and monopoly. The new leisure, by tempting the workers to buy luxuries, increases the market and thus reduces their cost; whereas when wages are low the market is limited and prices are high.

Thus the increase of wages will not mean higher prices. With a reduction of hours, the differences between producers and consumers will disappear. The capitalists, as now understood, will pass away. Every man will be a capitalist. The capitalist of today, however, is as necessary as the king once was to preserve order. Nothing but a higher standard of popular intelligence can supersede the necessity of the one-man power.[49]

A series of articles published during the Civil War formed the basis of one popular textbook. This was the work of Bascom's close friend and colleague at Williams, Arthur Latham Perry (1830–1905), professor of history and political economy, and German.[50] Like Bascom, Perry was a graduate of Mark Hopkins's Williams, and a cleric. He was just as dogmatic as Bascom in his exposition of the dominant New England view, but he presented it in the optimistic manner of Carey rather than in the pessimistic tones of Ricardo and

Malthus that pervaded Bascom's approach. Though he was an ardent free-trader, he was a great admirer of Webster.

Perry avowedly followed Bastiat, to whom he was introduced by his friend Amasa Walker. In March 1864 the powerful *Springfield* [Massachusetts] *Republican* got Perry to write a series of fourteen articles setting forth the true principles of political economy. The first was on "value." Perry declared that political economy is the "science of value," and where value stops, so does political economy. Value is simply exchange value, the value which one thing has for purchasing others. Thus political economy possesses one great characteristic of all great sciences—simplicity.

In every case of value, what is exchanged is mutual services. Value is only produced when two persons are in a position to render each other a service, and the respective services being rendered—that is, exchanged—and the balance being struck, we have the value of one expressed in the other. The value of an object is determined not by labor, but by the service it can render.

That all men possess desires, that efforts are necessary to meet them, and that satisfactions result are the universally admitted simple truths from which spring "all the laws of our science and all the economical harmonies of society." Thus trade is nothing but a mutual exchange of services whereby more satisfactions are obtained for less effort. The only motive is the mutual benefit of the parties. After every fair exchange both parties are richer than before, otherwise they would not exchange. The American people are fortunate in living under a system of exchange "almost absolutely free." This is the great source for the nation's prosperity, and this, if anything can, will prove our salvation under a vast and rapidly growing public debt.

The tariff, Perry felt, is not the only obstruction to free exchange. The usury laws are another violation, and Perry was especially disturbed over a proposed amendment to the National Banking Act limiting interest to be charged by the banks to 7 per cent. He reiterated the long list of objections. The usury laws make an invidious distinction, for men are allowed in all other businesses to exchange their services on the best terms they can make. They not only infringe the rights of property, but also tend to prevent weak borrowers from having a fair chance in the market.

The rebel South insists that there is an antithesis between labor and capital, and the conflict can only be solved by capital's owning labor. But political economy easily proves that there is a perfect harmony

between them. Every increase of capital, while it benefits the capitalist, benefits even more the laborers. Perry used Carey's theory to "prove" this, but, being a free-trader, he attributed it to Bastiat. The rate of profit invariably declines as the country grows older and richer. For example, as capital increases, less profit is received on every hundred dollars, but since there are more hundreds invested, the capitalist makes an absolute gain, while labor gains both relatively and absolutely. This is important because it proves beyond a doubt that in the very nature of things there is a "tendency towards equality of condition everywhere." God has ordered it so. Self-interest is indeed the mainspring of the economic world; but no man can labor intelligently under its impulse without benefiting the masses. So high returns to capital, by increasing business, bring more employment to labor.

Since wages depend on the number of laborers and the capital seeking to employ labor, wages can rise only if capital is increased or laborers are fewer. People, including writers for the *Springfield Republican*, foolishly contend that the government should interfere to raise the wages of women in New York. The trouble is that there are too many of them. "Let half of them go into the country where they will find work at good wages and the other half will live well enough."

Of course, strikes are vicious. "It is admitted that workmen may sometimes strike and gain their point, but it is none the less true . . . that strikes are false in theory and pernicious in practice; that they spring from utter misapprehension of the principles of wages, that they embitter relations between employers and employees, which ought to be cordial and free, and that they rarely or never, are permanently advantageous to the workingmen themselves."

Perry hoped that workingmen would not think he was an advocate of employers against employees. "Not a bit of it. I believe in high wages as firmly as anyone. My doctrine is that the many are worth more than the few, and that man is worth more than money." The truth is simply that "there is no real antagonism between employers and employed, and even if there were, strikes are no appropriate remedy." Perry added that in the proper place he would indicate the proper remedy "where antagonism exists or is supposed," but he had no real remedy unless capital were increased. The great economic evil of strikes, he insisted, is that they reduce the capital fund for wages.

The last six of the fourteen articles were devoted to the most important problem in the eyes of the respectable, that of the depreciation of the currency. Perry's remedy was to tax out of existence the notes of state banks and thereby limit banks to their legitimate functions of deposit and discount. Alluding to the passing of the National Banking Act, Perry declared that the nation, after thirty years, resumes its constitutional right of providing for the currency, a right which led to the unfortunate multiplication of state banks.[51]

Walker, among others, was so enthusiastic over Perry's performance that he encouraged the latter to elaborate the articles into a textbook. After submitting the manuscript to the "critical eye" of that "competent thinker," President Woolsey,[52] Perry had it published shortly after the Civil War as the *Elements of Political Economy*, and for almost a quarter of a century it was the most popular treatise in the country.

## THE SOUTH

Southern leaders defended secession and states' rights with arguments that recalled the Tory side of the Revolutionary War and the Federalist opposition to Jeffersonian Republicanism. Vice-President Alexander Stephens, whom N. Beverley Tucker had denounced as a vicious democrat, proclaimed that the southern constitution secures all our ancient rights, franchises, and principles. All the great principles of Magna Charta are retained in it. "Honest labour and enterprise are left free and unmolested in whatever pursuit they may engage."

Its great improvement over the old constitution is its acceptance of slavery as fundamental. Jefferson and the other founding fathers maintained that the enslavement of the black violated the laws of nature; that it was wrong socially, morally, and politically; that it was an evil "they knew not well how to deal with"; but the general opinion was that somehow or other "in the order of Providence, the institution would be evanescent and pass away." Though the idea of slavery as evil was not incorporated in the old constitution, it was the prevailing one.

But this notion is fundamentally wrong because it assumes the equality of races. "Ours is founded on exactly the opposite." It rests on the great truth that the Negro is not equal to the white, that "slavery, subordination to the superior race, is his natural and normal condition." The southern confederacy is the first government in the

world's history to be based on this "great physical, philosophical, and moral truth." But, like all great truths in the various departments of sciences, this truth has slowly developed. "Many who hear me, perhaps can recollect well that this truth was not generally admitted even within their own day." [53]

Fitzhugh proudly stated in southern journals that the revolution of 1861, unlike the American Revolution, was a reactionary movement to eliminate the excesses of the spirit of the Reformation and a solemn "protest" against the doctrines of natural liberty and human equality and the social contract entertained by Locke and "the American sages of 1776." It was also a protest against the infidel political economists, including Adam Smith, Benjamin Franklin, J. B. Say, and "Tom" Paine, who maintained that the "world is governed too much."

He declared that southerners are Tories in blood and inheritance as well as in feelings, for the southern states were settled by Cavaliers or their descendants. The ignorant democratic fanatical-minded New Englanders, the controlling element in the North, are descended from the Independents.

We must, concluded Fitzhugh, seek an alliance with the English Tories and not with the Whigs; for the latter, like the Yankees, are imbued with the "wild utopianism of Locke and the Red Republicanism of France." [54]

But President Jefferson Davis soon found that in matters economic southerners were just as keenly motivated by the lure of profit as any Yankee. The *Richmond Examiner* in 1863 complained bitterly that the militia are called out at planting or harvesting time, when the individual's labor is worth ten times more than at other times.[55] Seaboard states went into partnership with ship companies and competed with the Confederate government. Ship companies on one occasion went on strike for several weeks rather than comply with government regulations fixing freights and other matters.[56]

To finance the war, the Confederacy followed the North in turning to bonds and legal-tender paper rather than heavy taxation. C. C. Memminger, the first Confederate Secretary of the Treasury, had been one of the leading Jackson hard-money men in South Carolina and had even demanded the revoking of the charters of any bank that at any time suspended specie payments. But when he resorted to the printing press he was soon extolling the virtues of paper.

In the face of the northern blockade, the effects of the inconvertible currency on prices were like those in the Revolutionary War.

The *Richmond Examiner* expressed what was respectable "popular" opinion. It reminded its readers that in the Revolutionary War the British had gloated and the Americans had been terror-stricken over the fall of the continental, but both sides had been mistaken. The depreciation, it claimed, had been caused by speculators, but it denounced "interferences" with the "free market." [57]

The government attempted to fix prices for government purchases under a policy of "impressing" necessary goods. But respectable leaders cried, "Liberty is lost when a man holds his life, liberty, and property not under law, but at the mere pleasure of another." Price-fixing was supposed to be an exploded error, but "alas: it seems to be decreed by Providence that one generation shall derive but small profit from the experience, the sufferings or the wisdom of its predecessors." Vice-President Stephens, favoring payments according to market price, said that fear of impressment would cause a decrease in production.[58]

William Gregg, the South Carolina manufacturer, appealed to patriotism as he requested his help to work fourteen instead of twelve hours, but he complained that the politicians had spread the notion that manufacturers made enormous profits, whereas the true costs, especially labor, had increased. The high prices had really been caused by the excessive currency. To the argument that it was hardly fair that manufacturers should make profits while others joined or were drafted into the Army to risk their lives without price, Gregg replied that the manufacturers could not continue unless investment was given encouragement.[59]

Cardozo, in flaming editorials in the influential Atlanta, Georgia, *Southern Confederacy*, informed the country that impressment of food and price-fixing had its origins in "barbarous periods in feudal parliaments, in arbitrary decrees of councils and in the caprices of despotic monarchs." To fix prices requires that all prices be fixed; and of course this is impossible because of the fluctuations of the currency and changes in the relative value of labor and commodities. The critics agree that the cause of high prices is excessive currency. The only real remedy, therefore, is its reduction.

The excessive currency, said Cardozo, could be reduced only by taxation or funding. Taxation has reached its limit if the means of reproductive investment are to be preserved. He threw up his hands in horror at tax proposals for taking 30 per cent of the total income of the Confederacy to finance the war.

However, funding must proceed on the principle of enticing moneyed capitalists, especially from abroad, to invest in Confederate securities. Foreign investment leaves the Confederacy's capital available for more productive investment. A preliminary condition is that the principal and interest should be exempt from taxation and be secured by some source of internal taxation.

But the first consideration is that the rate of return be adequate. Advocating a policy that northern economists had demanded, Cardozo declared that the rate should be left to competition by throwing on the market twenty-year 6 per cent bonds and selling them at any discount necessary to dispose of them. The bonds should be offered over a series of years so as not to force a too drastic reduction of circulating medium and prices, with consequent disastrous effects on trade.

But at the same time the scheme would mean great savings for the government by forcing a reduction of prices in a greater proportion than the reduction of the currency funded. To show this, Cardozo developed a novel variant of the quantity theory of money that he had so often denounced. When the currency is increased, prices rise in a compound ratio of increased demand and lessened supply of goods, he said. The increased currency naturally augments purchasing power, and thus the demand for goods. Prices rise, but not all prices at once. This process of adjustment is coupled with expectations of further rises, and so leads speculators to withhold goods from the market, and the prices rise to a greater height than the increase of currency. By the same reasoning, a reduction in the currency acting on both demand and supply causes a greater than proportional fall in prices.

This funding scheme, said Cardozo, offers the solution to the financial ills of the government including the financing of deficits. Suppose $100,000,000, or one-sixth of the existing currency at the time (1863), were annually funded. Government expenditure would fall farther than the proportion of currency. Suppose that taxes yield $200,000,000, but expenditures are $600,000,000. Such a deficit may force 6 per cent bonds to sell at a 50 per cent discount. This would require that $800,000,000 be issued, but the effective yield of 12 per cent would entice the capitalists. With government expenditures falling farther than the decrease of the currency, the successive deficits of the Treasury would be financed at a constantly reduced rate of discount so that by the end of the third year govern-

ment bonds would sell at par. When peace is established, duties on exports and imports would pay the interest on the funded debt, and the current expenses of government could be met by moderate internal taxation.[60]

As the financial situation got more out of hand, Cardozo, like his northern prototypes, began to attribute the great depreciation to the failure to provide a more adequate taxing system.[61]

Since Cardozo represented the best thinking in the South, it was not surprising that the financial plans evolved were hardly above the level of those of the Revolutionary War. Toward the close of the war, the Confederate government, though in desperate straits, was forced to remove practically all regulations and control over prices and supplies. The South's financial methods might not be much different from those of the North, but the North was richer in material resources.

Ironically, at the end southern leaders were willing to free the slaves in return for European recognition of southern independence; but the offer, coming after Lincoln's Emancipation Proclamation, was too late.

The victory of the North put an end to legal slavery. The Union was saved and strengthened. But its economic foundations were no longer to rest primarily on foreign commerce. The development of transportation and manufactures, accelerated during the sectional strife, shifted the emphasis from foreign to domestic trade, which increasingly engrossed the attention of Americans. Yet, as enterprise and speculation turned toward the interior of the continent, they brought to closer realization the ideal of the cosmopolitan founders of the colonies and the Republic—a great empire matching the mother country in riches, power, and splendor. But the old tradition of hierarchical order became dimmed. The antagonists of democracy remained essentially unreconciled; but they became far more circumspect.

# Bibliographic Notes and Index

# Bibliographic Notes

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# THE JACKSON WAGE-EARNER THESIS

# The Jackson Wage-Earner Thesis

JOSEPH DORFMAN*

IN recent years American historians have shown great interest in the labor and radical literature of the Jacksonian period. This literature is taken to manifest the beginnings of a substantial labor movement in the United States. In particular it is the thesis of those historians that a substantial movement of eastern wage earners, led and inspired by the radical anticapitalistic elements among Jackson's supporters, became a significant part of the great Jacksonian revolution. The evidence for this thesis, which might be called the Jackson wage-earner thesis, is, I think, worth further consideration. A number of figures and movements have been taken to represent an advanced radicalism, closely kindred to modern radicalism. The problem, however, is not only ideological; it is semantic and psychological. The evidence has frequently rested on generous and broad assertions in editorials, pamphlets, manifestos, petitions, and party programs. Are these so-called radical leaders truly radical, and in what sense? Are the many so-called "working men's" movements and parties of the period truly movements of wage earners and are they truly "anticapitalistic"? Can we take at face value not only the assertions but also the very terminology of the time?

The Jackson wage-earner thesis has recently been presented in its most explicit and cogent form by Arthur Meier Schlesinger, jr., and it is convenient therefore to center the discussion on a few representative figures and movements which have been cited in his *Age of Jackson.*

An early figure is Langton Byllesby. Byllesby has been described as an "Owenite pamphleteer" and his book *Observations on the Sources and Effects of Unequal Wealth* (1826) as an "attempt to restate Owenism without the anti-religious bias" but public sentiment was not prepared for the book, coming as it did before the Jacksonians were conscious of their mission as champions of labor.

Now, it is as a poet that we first hear of Byllesby; indeed he had a "knack for rhyming." In 1813, while in Philadelphia, Byllesby, who dabbled in inventions throughout his life, was commissioned to prepare a poetical defense of patent rights and turned out the anonymous satire *Patent Right Oppres-*

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*sion Exposed.*[1] Interestingly enough, at approximately the same time that Byllesby upheld the conservative view, and in connection with the very same patent that occasioned his satire, Jefferson made his famous statement: "Inventions . . . cannot in nature, be a subject of property."[2]

Byllesby's essential conservatism manifested itself again when we next hear of him in 1823 as the publisher of the respectable Easton Pennsylvania newspaper, *The Spirit of Pennsylvania and Pennsylvanian.* This paper supported for governor the elderly Andrew Gregg, who called himself a democrat of the Jeffersonian school and yet had been at odds with Jefferson on such important policies as the Jay Treaty and the War of 1812. Byllesby in his own editorials and in editorials which he reprinted from other newspapers of the same faction, asserted that Gregg's opposition to Jefferson's views showed his sturdy resistance to "popular clamour," that the "violent men" of the Democratic party disliked Gregg because he defended charters against legislative interference.[3]

Gregg's defeat shattered Byllesby's prospects for lucrative government patronage and printing so essential to the newspapers of the time. After less than a year in the publishing business in Easton, Byllesby returned in 1824 to Philadelphia, became connected with the important stereotyping firm of Laurence, Johnson and Company, and two years later published his familiar volume, *Observations on the Sources and Effects of Unequal Wealth.*[4]

On the rhetorical side, surely, the language of this book is radical. Byllesby castigated the existing order, and especially the methods of inheritance, banking, and mercantile speculation. But is it not more important to consider a man's practical proposals? And are Byllesby's practical proposals radical? He proposed associations in which the shareholders divided the profits, while the workingman would be paid at the "customary journey man's wages." But a member inventing a machine would get a "liberal reward" in "proportion to its value."[5]

Among Jacksonians proper, we are told that the wealthy Theodore Sedgwick, became a "champion of [the] laboring class" after pondering Byllesby's treatise, among others. But what is his solution? In his much lauded volume *Public and Private Economy* he advised all depressed or overworked east-

[1] Statement by Byllesby on the fly leaves of the copy of the book in the Historical Society of Pennsylvania.

[2] Jefferson to Isaac McPherson, Aug. 13, 1813, *The Writings of Thomas Jefferson,* ed. by Albert Ellery Bergh (Washington, 1907), XIII, 334.

[3] *The Spirit of Pennsylvania,* May 23, June 13, 1823.

[4] Ethan Allen Weaver, "Historical Sketches relating to Easton and Eastonians," no. 20, *Easton Semi-Weekly Free Press,* Apr. 24, 1896.

[5] Byllesby, *Observations on the Sources and Effects of Unequal Wealth* (New York, 1826), pp. 97–99.

ern wage earners to stop wasting their earnings on gaudy displays and luxuries. They then could in a few years either buy public lands and "settle as farmers in the new states, or . . . undertake an independent business in the old."[6]

Again we are told that the Reverend Theophilus Fisk merged in his newspapers "his passionate anticlericalism . . . into an equally passionate anticapitalism." Now it was this so-called "anticapitalistic" editor who, in writings of the same period, held that debt is the great curse of man and that debtors are unfit to exercise the right of suffrage, but added that he meant by debtors those who went into debt beyond "all the prudent rules of business."[7] The psychology here is much more that of the businessman than the truly radical editor and the businessman is hardly "noncapitalistic."

The case of William Leggett, the New York journalist, illustrates the same point. He is described as advancing through "sheer passion for logic, to extreme radical positions." Yet Leggett castigated a general confederation of laborers as an attempt to monopolize the "chief necessary of life," labor, thus creating "social anarchy" and "chaotic confusion," and compelling *"capital,* to pay whatever price it chooses to exact."[8]

As a final sample there is the so-called "radical" and "labor leader" of Philadelphia, Thomas Brothers. Now he in fact was an employer in the hat trade as well as a journalist. We might wonder just what sort of a labor leader he was when on being accused of exploiting his journeymen, he printed in his magazine the following defense offered by a subscriber: "Were you to give your workmen greater wages than other manufacturers do, your goods would be proportionately augmented in price, and would lay on your shelves until your customers were in a humour to take pity on your folly, and reward your stupidity by becoming purchasers."[9] It need not be pointed out that this is a standard answer of conservative employers.

Let us now glance at some of the so-called labor movements. Beginning in the late twenties, so-called "working men's" petitions and parties arose. The use of the term "working men," or its equivalent in their titles, in great part explains why they have been accepted as the work of eastern wage earners and their sympathizers. For instance, in Philadelphia in 1829 "a large meeting of working men and others" memorialized the Pennsylvania legis-

[6] Theodore Sedgwick, *Public and Private Economy* (New York, 1836), I, 225–26.
[7] *Political Reformer,* Dec. 25, 1840.
[8] Leggett, "The Way to Cheapen Flour," 1837; reprinted in *A Collection of the Political Writings of William Leggett,* ed. by Theodore Sedgwick, jr. (New York, 1840), II, 221–22.
[9] *Radical Reformer,* July 11, 1835.

lature not to charter additional banks, which meant of course banks with the power to issue notes.[10]

The memorial may be divided into two parts. The labor part of the memorial is the familiar reference to the disadvantages and sufferings of the workingmen resulting from excessive issues of bank paper. But along with it is the prolonged strong argument against paper drawn from the necessities of business calculation, investment, and fulfillment of contracts. Which is the more significant?

There is reason to believe that the petition was primarily the work of two signers, Condy Raguet and William M. Gouge, both of whom have been ranked among the outstanding financial authorities of the Jacksonian labor movement.

These two learned journalists were close friends. Condy Raguet, "Esquire," was originally a merchant and later president of the Philadelphia Chamber of Commerce. In 1820 and 1821, while a state senator, he had prepared reports for that body on the depression and on bank charters that expressed substantially the same demand for a limited number of banks as is found in the memorial. But in those reports there were very few references to "working men"; and the emphasis was most definitely on the damage to businessmen and property values.[11] At the very time that the "working men's" memorial was published in his magazine the *Free Trade Advocate,* Raguet declared in an essay on "The Principles of Banking" that the great sufferers from the banks of issue were the merchants who are "obliged to submit to all the evils of a contraction, consequent to an expansion, which they had no agency in producing."[12]

Perhaps most relevant are Raguet's views on matters of immediate concern to the wage earner. He declared that to reduce the working hours from twelve to ten, or to raise wages through combination or law, would contravene "the great principle of nature, called the law of competition" to the employer's ruin and labor's loss of employment.[13] Is this what is meant by radicalism?

Gouge's ideas on labor were substantially those of Raguet. He insisted that the laws of supply and demand were all powerful, and that the claims of the honest capitalist are just as sacred as those of the honest laborer. He berated the idle and improvident for neglecting to accumulate a capital and thus

[10] *Free Trade Advocate,* May 9, 16, 1829.
[11] *Journal of the Senate of Pennsylvania,* XXX, 221–35; XXXI, pp. 252–62.
[12] *Free Trade Advocate,* July 4, 1829.
[13] *Ibid.,* Nov. 14, 28, 1829; *Examiner,* Jan. 8, 1834.

make themselves independent of "others for means of both subsistence and employment."[14]

It is also claimed that James Ronaldson, another signer and the chairman of the meeting which drew up the memorial was a "trade union leader." Yet "James Ronaldson, Esquire" as he is described in the memorial, was a prominent stockholder in the Second Bank of the United States and a substantial employer—a wealthy, nationally known type founder.[15]

During the year that saw the publication of the petition of the "working men and others" in Philadelphia, there flourished briefly in New York City the famous Working Men's party. While its leadership was somewhat more humanitarian in outlook than that of the Philadelphia group, the movement had much the same business ends.

Its outstanding promoters were Thomas Skidmore and Frances Wright and their following among journalists. Skidmore listed himself as a "machinist." This by no means meant that he was a journeyman. He spent much time in lecturing, carrying on political campaigns, and in journalism. His formal solution for the ills of the community as expressed in the book he published that year, *The Rights of Man to Property!* called for the division of inheritance among all the children of the community when they reached maturity. But this radical proposal was tempered somewhat by the stipulation that in launching the plan the government was to turn over to private enterprise its income-bearing assets. Thus New York was to divest itself of the lands containing the valuable salt springs, the lands pledged by the Constitution for the school fund, and those belonging to the Indians. Skidmore's proposal for a protective tariff was hardly Jacksonian, let alone radical.

The wealthy Frances Wright has been described as an Owenite, but her only resemblance to Owen, aside from her anticlericalism, was the proposal for free education and free feeding and housing of all children. Educating the children of both the rich and the poor together would promote common republican ideals. Training was to be along industrial lines. But on most social issues, she followed Malthus. She wished to inculcate forethought, especially "in young persons who before they assumed the responsibility of parents would estimate their fitness to meet it."[16]

The party platform spoke glowingly of Wright's school proposal and

[14] William M. Gouge, *A Short History of Paper Money and Banking* (Philadelphia, 1833), pp. 91, 93.

[15] Boston *Patriot and Mercantile Advertiser*, Sept. 10, 1828; Philadelphia *Democratic Press*, Oct. 12, 1829; Ronaldson's estate was given as $200,000 in *Memoirs and Autobiography of Some of the Wealthy Citizens of Philadelphia, By a Merchant of Philadelphia* (Philadelphia, 1846).

[16] Frances Wright, *Course of Popular Lectures* (New York, 1830), p. 115.

Skidmore's scheme to abolish inheritance. However, the platform stated that these ideals could not be achieved without such a revolution "as shall leave . . . no trace of that government which has denied to every human being" these rights. Until then the party would center its attention on those evils which aggravate the workingmen's calamities.[17]

So far so good, but what were these evils? The primary immediate evil, the party felt, was neither the hours, wages, nor conditions of labor but the special bugaboo of the business community, excessive bank notes. The legislative record of Ebenezer Ford, the one successful candidate for the Assembly, indicates the business attitude of the so-called "working men's" memorial of Philadelphia. He was willing to renew four New York City banking charters and to grant charters for insurance, roads, lighting, and other companies.[18]

Proponents of the Jackson wage-earner thesis point to the party's demands for the abolition of imprisonment for debt. But imprisonment for debt, let it be said once and for all, was never the exclusive interest of the proletariat. Given the exigencies of business, it was also the concern of the little businessman, and not infrequently the larger businessman, to ease this evil. Indeed, in the very year of the rise of the Working Men's party, the abolition of imprisonment for debt was demanded by a new society in Boston organized by leading business and political figures. The organization was called a Society for the Promotion of the Rights and Interests of Bona Fide Creditors and for the Benefit and Relief of Honest Debtors. The president was none other than Daniel Webster, whom proponents of the Jackson wage-earner thesis have described as an arch conservative. The demand was coupled with suggestions for revising the state's insolvency law in the name of the inalienable rights of man and the requirements of expanding business enterprise.[19]

The Loco-Foco party of 1836 provides another test of the thesis under discussion. This famous party is commonly credited with invigorating the labor movement in New York. The mayoralty candidate on its first independent ticket was a printer and United States customs inspector, Colonel Alexander Ming, jr. This party, too, was primarily concerned with financial business issues rather than wage earners' problems.

Take the views of Colonel Samuel Young, whom the Loco-Foco leaders

[17] George Henry Evans, "History of the Origin and Progress of the Working Men's Party in New York," no. 3, *The Radical* (February, 1843), II, 36.

[18] *Journal of the New York State Assembly*, 1830, pp. 147, 155–57.

[19] *Proceedings of the Citizens of Boston Favorable to a Revision of the Laws in Relation to Debtor and Creditor* (Boston, 1829).

wanted to run for governor. This "stalwart and aggressive radical" was not only an outstanding Democratic party leader but an entrepreneur of railroads and banks.[20] He demanded that the state repeal the laws limiting the rate of interest, and restricting the functions of deposit and discount to chartered groups. Such changes, he said, would in a "great measure, if not entirely, prevent those contractions and expansions—those sudden fluctuations in prices and that demoralizing mania for speculation with which the community has been scourged."[21] And here it might be pointed out that an opposition to excessive speculation is not necessarily radicalism; it characterized and still characterizes the more sober class of capitalists.

Young's views on labor may be gathered from his lecture on the science of political economy before the Phi Beta Kappa Society of Union College, which honored him with two LL.D.'s. He argued that the science of political economy should be promoted widely because "it is calculated to repress the querulous propensity of man and to make him better satisfied with his condition. It shews . . . the poor their dependence on the rich." He denounced public poor relief along with government construction of roads and canals, on the Malthusian ground that this would hurry the country to the "unavoidable calamities which a dense population is destined to meet."[22] Although he used these words ten years before the Loco-Foco movement, we have no evidence that he subsequently held other views on these matters.

Another so-called labor movement appeared in 1831. It was called the New England Association of Farmers, Mechanics, and Other Working Men. This movement has been described as the outgrowth of the spontaneous protest of small mechanics and workers of eastern New England against their insecure lot and dreary destiny. Conspicuous in its activities were journalists and well-to-do politicians. The one economic issue on which the Association seems to have been consistent and clear was free trade.

The social attitude of this association is revealed in a report addressed to New Haven "working men" by the two delegates to the 1833 convention. The first signature was that of Noyes Darling, the mayor of New Haven. He long held lucrative public offices, and frequently more than one at a time.[23] The report declared that "unhappy experience as well as a sense of

[20] F. Byrdsall, *The History of the Loco-Foco or Equal Rights Party* (New York, 1842), p. 64.

[21] "Report of Select Committee in Relation to the Sale of . . . [Young's] Stock in the Saratoga County Bank," *Documents of the Senate of the State of New York*, 60th session, no. 66 (1837); *Report of the Committee on the Affairs of the Saratoga and Schenectady Rail-Road* (New York, 1833), p. 14.

[22] Samuel Young, *A Discourse . . . before the New York Alpha of the Phi Beta Kappa* (Ballston Spa, 1826), pp. 54–55, 65, appendix, p. xiii.

[23] *Yale Biographies and Annals, 1792–1805*, ed. by Franklin Bowditch Dexter, 5th series

duty and of religious obligation, will teach them [the laboring classes] to avoid alike, the desperate infidelity, and the levelling politics of some modern reformers" such as "Fanny Wright, and her followers."[24]

Another influential member was the learned wealthy Boston entrepreneur, William Foster, who was also a prominent figure in the Democratic party. Foster's primary business activity, as his designation of "wharfinger" in the Boston directories indicated, was managing and developing with his brothers, the family's valuable Boston wharfage properties. That the report of the banking committee of the association of 1833, emphasized free trade is not surprising since Foster, a "wharfinger," wrote the report.[25]

It has been contended that Foster as a true Jacksonian "labor leader" opposed the recharter of the Second Bank of the United States, because of his hatred of monopoly that flowed from the pursuit of his intellectually held Jacksonian free trade principles. Ironically enough Foster was associated with the very scheme which has been charged with being the work of mercenary, monopolistic-minded, fair-weather Jacksonians rather than true radicals. Foster's name is attached to the notorious memorial to Congress by a group of wealthy Bostonians requesting it not to recharter the Bank. They wanted, instead, a charter for a new and larger Bank of the United States —a $50,000,000 institution in place of the $35,000,000 "octopus."[26] It is not surprising therefore, that in a speech in 1834, defending Jackson's anti-Bank policy, Foster declared that it was nonsense to charge him and his group with "exciting the evil passions of the poor against the rich. . . . All my connections are rich; I am not poor myself."[27]

Allied with Foster in this so-called "labor movement" was the prominent Massachusetts lawyer and politician, long in Congress, Samuel Clesson Allen. It has been stated that up to the time of his leaving Congress in 1829, he was a conservative. But on his return to his little rural community in western Massachusetts, Allen had time to reflect on the plight of the workingman and became a "champion of [the] laboring class." The first important evidence of this transformation is supposed to be an address to a local agricultural society in 1830. That address to be sure is full of laments on the terrible plight of the European worker and the dreary destiny of the American

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(New York, 1911), p. 435; *Register of All Officers and Agents . . . in the Service of the United States* (1837), p. 40.

[24] New Haven *Columbian Weekly Register*, Nov. 2, 1833.

[25] *Ibid.*, Sept. 28, 1833; *Proceedings of Working-Men's Convention* (1833), pp. 14–20, 24.

[26] "Memorial of David Henshaw, and Others," *Senate Documents*, 22 Congress, 1st session, no. 37, p. 4.

[27] "The Hon. Mr. Foster's Remarks . . . at the Anti-Bank Meeting," reprinted from the Boston *Post* in the *Columbian Weekly Register*, May 3, 1834.

workingman. But Allen, who was still a member of the conservative National Republican party, was using the dismal picture simply to point out the need for retaining the protective tariff, and the protective tariff was certainly an important plank in the National Republican platform.[28]

Then in 1833 Allen publicly announced that he approved Jackson's policies towards the Bank of the United States and hoped that for once the productive classes would be dominant in the government. The New England Association applauded his sentiments, and he turned up as the candidate for governor of its political offshoot, the Working Men's party. Where Allen had previously been a protectionist "working man" he now became a free trade "working man." He ran on a platform which denounced factories as a threat to health and morals.[29] But this is familiar free trade rhetoric in America, a rhetoric which Foster used constantly.

Such were some of the typical radical leaders and organizations of the Jacksonian period. The confusions of the wage-earner interpretation of their radicalism are manifold. The first is a confusion of monetary reform with labor radicalism. The Jacksonians were indeed for monetary reform. But the purpose of the monetary reform was not to help labor—they generally neglected direct labor reforms—but to create better business conditions and remove panics.

This was perhaps best indicated by that "radical" Jacksonian and eminent financier, Churchill C. Cambreleng. He exclaimed: "Labor solicits no privileges—it asks only for a sound currency" which by eliminating those catastrophic crises or "explosions" occurring every ten years, will "secure to trade steady profits, and for itself steady employment."[30]

The confusion of monetary reform with labor radicalism might perhaps have been avoided, had there been awareness of the fact that the hard-money Jacksonians were followers not of Adam Smith but of that critic of the Bank of England and all private banks of issue, David Ricardo; and no one as yet has had the hardihood to claim that Ricardo was a radical laborite.

Another difficulty arises from the fact that many of the writers never intended that their broad, scorching indictments of existing institutions should be taken as principles for concrete action beyond specific business demands.

[28] Samuel C. Allen, *An Address . . . before the Hampshire, Franklin, & Hampden Agricultural Society* (Northampton, 1830), pp. 17–18; Boston *Courier*, Apr. 2, 1831. Allen in 1831 was selected as one of the Massachusetts delegates to attend the national protectionist convention in New York (Boston *Courier*, Oct. 14, 1831).

[29] *New England Artisan*, Oct. 25, 1834.

[30] S. Croswell and R. Sutton, *Debates and Proceedings in the New York State Convention for the Revision of the Constitution* (Albany, 1846), p. 760.

These propositions, said the *Democratic Review,* in 1839, are to be taken "simply as abstract truths and without reference to any practical applications." It denounced those who imputed to it "hostile views towards any existing chartered institutions or 'vested rights.' "[31] All that it wanted, it said, was to eliminate the monopoly feature of the specially privileged character of corporations through the passage of a general incorporation act.

What seems finally to have led students astray is the failure, as mentioned before, to appreciate the rather broad meaning of the term "working men." One of the leading journalists and promoters of workingmen s movements remarked: The term "working men" is to be understood as "including not merely the manual laborer, but every man who earns his bread by useful exertion, whether mental or physical."[32] Just who was included in the category was never quite clear either in the pronouncements or meetings. Only your political opponents and the terrible aristocrats and the lazy idlers were clearly not honest "working men."

But in this very broad conception of "working men" lies a good clue to the growth of American democracy and the so-called labor movement; namely, that it was antiaristocratic rather than anticapitalistic. That is why it often combined both humanitarian and business elements; the humanitarian element contributed a weak impress of reform, but it was decidedly thrown into the shade by the business drive. Certainly it will not do to read into the history of American radicalism, at least of the Jacksonian period, the later conception of a class conflict between great capitalists on the one side, and a mass of propertyless wage earners on the other. The movement is a liberal one in the sense that it sought to eliminate or hedge law-created privileges. And it was anticapitalist only in the sense that it opposed the special advantages and sudden wealth that a few capitalists, and even down-at-the-heel adventurers or bluebloods, could secure by favoritism, the manipulation of political power, intrigue, or ingratiation with the powers that be.

After all, the age of Jackson was an age of expansion, a great age of business enterprise. And the body of capitalists, enterprisers, and ambitious workingmen were not prepared to abandon the race to the type of political capitalists just described.

But Jackson, no more than Jefferson, thought of himself as the champion especially of the wage earner. Both considered themselves champions of all the so-called "industrious," of the farmers, mechanics, merchants, and other

[31] *United States Magazine and Democratic Review,* V (January, 1839), 98.

[32] Evans, "History of the Origin and Progress of the Working Men's Party in New York," no. 1, in *The Radical,* II (January, 1842), 1.

"working men," against the opulent holders or recipients of government favors or privileges.

Of all the groups that Jefferson and Jackson included in the category of "working men," it would seem that the wage earners were least in their mind, for to their way of thinking, a land of wage earners, that is a great propertyless class, would spell the doom of democracy as they conceived it. They, like the rest of their generation, were the heirs of the great tradition that a man without property was the *de facto* slave of the possessors of property. He only was free who possessed property. But Jackson and Jefferson differed from the aristocratic-minded in holding that, if government power were restricted, any man of industry and frugality or at least a good many men could acquire some property. Government—or rather too much of it—was the great sinner, the source of aristocracy and monopoly. These two, by the way, aristocracy and monopoly—privilege and charter—were almost interchangeable in the eyes of the radicals. The development of democracy was toward increasingly restricting the power of such a government. As Cambreleng put it in 1846, the "progress of reform may eventually leave trade . . . entirely free from all government regulation."[33]

The radicalism of our own time is, on the other hand, associated with a permanent and large wage-earning class. And it resorts, under entirely new economic and political conditions, to a broadening rather than a narrowing of the functions of government.

On the level, therefore, at which the discussion has been carried on, that is, on the level of economic policy, and the conception of the economic system and social organization, there is no significant connection between the two radicalisms. Indeed there are on some very important points, the most clear-cut contradictions; and such differences between periods and movements are, of course, the special concern of the historical writer.

Is there then no connection, no affinity, between these two great historic movements? There is a cultural and psychological bond. The Jacksonian movement cherished, however fitfully, a sense of protest against privilege and invidiousness. It is this sense that associates it with that fragile but precious thread in liberalism, in the broadest meaning of that term—the dignity of man.

[33] Croswell and Sutton, p. 758.