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The money debate and American political development

Here is the line of battle... If they tell us that the gold standard is the standard of civilization, we reply to them that this, the most enlightened of all the nations on the earth, has never declared for a gold standard... More than that; we can tell them that they will search the pages of history in vain to find a single instance where the common people of any land have ever declared themselves in favor of the gold standard. They can find where the holders of fixed investments have declared for a gold standard, but not where the masses have.

William Jennings Bryan

Thus began the presidential contest of 1896, a defining moment in American politics. It was a contest about money, pitting Republican William McKinley against Democrat William Jennings Bryan. This election, referred to as the “Battle of the Standards,” was the culmination of a debate between the supporters of financial reform (greenbackism and bimetallism) and the defenders of the gold standard. It was also a battle over competing visions of America’s political and economic future. In the three decades prior to McKinley’s victory, the money debate was central to American politics. Half a dozen national third parties were formed, scores of state-level parties organized and the two national parties were reorganized around this issue. Hundreds of books and pamphlets were released in the argument over the nature of money and its role in regulating relations between classes and sections. At least one of these publications, Coin’s Financial School, reached a circulation of one million. Each of these efforts contributed to the debate over finance. This book is about

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1. This quote from Bryan’s famous “Cross of Gold” speech given at the Democratic national convention in Chicago in 1896 can be found in William Jennings Bryan, The First Battle (Chicago: W. B. Conkey, 1896), p. 295.
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what was at stake in that contest and what can be learned from the antimonopolists who fought for financial reform.²

The stakes were substantial. The nature of the national economy, the power of the sections, the relations between classes, the role of government, and the place of democratic citizens were all debated by the advocates of financial reform and financial orthodoxy. When the conflict concluded and the proponents of financial reform lost their position in national political competition, the country’s political economy took on a new and distinctive shape. After a period of political possibility, the South retreated to an impoverished, extractive economy with little political competition and firm elite rule. This was the Solid South. The national party system that took shape after the critical election of 1896 was less participatory and competitive than what preceded or followed it. Likewise the federal government’s role shifted from managing distributive issues to economic regulatory matters. This shift accompanied changes in the economy, from agriculture to industry, from firms to corporations, and from less integrated capital markets to a national capital market centered in New York and poised to fund large industrial investment projects. All of these changes have been carefully studied by scholars from numerous disciplines. This book addresses many of these issues through the lens of the money debate.

Goldbugs and Greenbacks has three themes. First is an exploration of the money debate as a dominant issue in American politics between 1865 and 1896. This wide-ranging national discussion about banks and money often dominated the political agenda during the three decades after the Civil War. I consider the ongoing character and significance of the contest over finance.

Second, Goldbugs and Greenbacks postulates the existence of two main programmatic alternatives in the money debate, and focuses attention on the failed alternative, financial antimonopolism. Antimonopolism addressed the economic and political changes of the late nineteenth century by calling for government regulation of the financial structure as a means of insuring economic opportunity and equal political rights for all classes and sections. Both the antimonopolists and the financial conservatives saw the financial system as central to economic and political development. I cover the vision of the antimonopolists, and I argue for the intellectual coherence and political significance of their program through

². Much of the drama and language on money debate is captured in Bryan’s The First Battle. The national parties formed included the Labor Reform party, the Greenback and Greenback Labor parties, the Antimonopolist party, the Union Labor party, the People’s (Populist) party, and the National (Gold) Democratic party. For Coin’s circulation figure, see Richard Hofstadter’s introduction to William H. Harvey, Coin’s Financial School (Cambridge, MA: Belknap Press, 1963), p. 5.
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an exploration of the pamphlet material that they and their opponents produced.

Third, *Goldbugs and Greenbacks* contributes to our understanding of the role of history in American political development. I call for both a re-

consideration of the role of temporal order in shaping political opportuni-
ties and an analysis of the historical narratives that mediate our under-

standing of political change. Although the antimonopolists were politically defeated, I reinterpret the character of their failure and its significance for American political development.

This chapter introduces the money debate, its origins, and the programs and participants behind antimonopolism. Then it presents my theoretical approach, beginning with a discussion of history and political development, followed by shorter sections on the political economy of money and the political culture of money. The last section provides a brief summary of the rest of the book.

I. Antimonopolism and the money debate

The assertion that financial policy was a central political issue around which so much else revolved may seem curious to late twentieth-century observers of American politics. Yet the roots of the financial debate were both ideological and institutional. Ideologically, the importance of mon-
ey dates back at least to the Jeffersonians and Hamiltonians, whose dis-

putes over financial regulation were related to competing conceptions of republicanism. Institutionally, the conflict was more immediately root-
ed in the establishment of the National Banking System (NBS) and the dis-

tribution of government-issued paper currency (greenbacks) during the Civil War. From these sources, the financial debate grew to take up a broad space in the nation’s political culture. Americans saw money as something that shaped the national political system. And in the panics, runs, depressions, and price falls of the 1860s to 1890s, they found good reason to keep their attention focused on finance.

Prior to the Civil War, republican ideal was the language of resistance to centralized government, chartered corporations, federally sponsored banks, and the growth of a financial aristocracy associated with the in-

creased fiscal capacities of the state. Banks and bondmen were regarded as a danger to American society and the national government. Attacks on them were framed as part of a broader concern with corruption and the loss of citizen virtue. In the 1790s, John Taylor of Carolina opposed the Hamiltonian plan and its provision for a central bank. Taylor argued that this “dangerous monopoly” was designed “to make the rich, richer and the poor, poorer.” In doing so, the Bank would succeed in corrupting the republic, for it demonstrated that a “design for erecting aristocracy and
monarchy is subsisting, that a money impulse and not the public good is operating in Congress."

Similar sentiments were expressed by William Leggett in an attack on the Second Bank of the United States during the Jacksonian era. He wrote, "First, we object to it as founded on a species of monopoly; and secondly, as supplying a circulating medium which rests on a basis liable to all the fluctuations and contingencies of commerce and trade," that is, on paper money. Having been given exclusive privileges by the state, chartered banks violated the equal rights doctrine; they held power as one group in society over others, which had implications for the preservation of republican virtue as well as for the maintenance of free competition. Leggett called for a laissez-faire system that would end economic speculation and tie economic growth to growth in production.

Several elements of this outlook carried over to the postbellum antimonopoly movement, including concern with corruption and economic monopolies, the desire to preserve an independent and virtuous citizenry,


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and resistance to the extension of special privileges by the state. Yet, there were important differences as well. Later antimonopolists gave up the anti-statism of the laissez-fairists, and many divorced themselves from the bullionism of the Jacksonians. The roots of this approach to monetary regulation may be found in the work of Edward Kellogg.

Although Kellogg was also part of the Jacksonian era, his work was decidedly different in tone and implications from the work of William Leggett. In Labor and Other Capital: The Rights of Each Secured and the Wrongs of Both Exadicated, (published in 1849), Kellogg laid out his legal tender theory of money and his theory of interest. These theories, which resembled the work of the French political economist Pierre Joseph Proudhon, delineated the roles of labor (that is, producers), capital, and government in economic development. Kellogg postulated that money was a legal creation whose value derived from government authority, and that interest was the means by which wealth was transferred from the producers of wealth to the holders of capital. The rate of interest and control of currency were crucial to economic expansion and the distribution of wealth between classes and regions. Kellogg argued that low interest rates and a flexible monetary system would provide the basis for a balanced economy and society, in which both labor and capital received their just rewards and extreme wealth or poverty was prevented. Unlike Leggett, then, Kellogg saw government as having a positive role in economic regulation, and saw the monetary system as a legally created entity rather than an element in a natural economy. The theory fit well with the political philosophy of labor republicanism. Kellogg's analysis of the role of the financial system became the basis for late nineteenth-century critiques of financial monopolies, the maldistribution of currency and credit, and the unbalanced nature of economic development in the growing corporate economy.5

Briefly, there were three central principles of financial antimonopolism in the post-Civil War period. The first concerned the distinction between independent and dependent citizens, or between producers and nonproducers. As a virtuous protector of the republic, an independent citizen was economically autonomous and concerned with the general interests of society. As labor leader William Sylvis said about working men, “A high degree of intelligence is necessary to enable us to discharge all the duties of

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citizens. If we were sufficiently well paid for from six to eight hours work a day, to furnish ourselves with the means of cultivation, we would do better work and be more useful men.” Dependent citizens fell into three categories: the poor and subservient (such as slaves, wives, and unskilled wage workers); wealthy nonproducers who depended on the labor of others (such as masters, bankers, and financiers); and permanent, self-interested government workers (such as career military men and tax collectors). For antimonopolists, the economic autonomy of producers and the political autonomy of independent citizens were interdependent.6

The second principle of antimonopolism was fear of political and economic corruption. Concern with corruption and the dangers of political instability are traditional republican issues. For the antimonopolists, corruption was represented in very distinct forms. Political corruption came mainly from the efforts of nonproducers to bend the government to their own interests, for example, when railroad lobbyists bribed legislators to pass laws favorable to their companies, or when foreign agents pressed for the demonetization of silver (the supposed “Crime of ’73”). Economic corruption within society threatened the foundations of the republic. When nonproducers used special privileges granted by the government to exploit producers, they threatened to turn the country from a society of independent masses to one of dependent classes. Reflecting on this threat of corruption and the demands of independent citizenship, Knights of Labor (KOL) leader George McNeil wrote that there was “an inevitable and irresistible conflict between the wage system of labor and the republican system of government.”7

Third, the antimonopolists were centrally concerned with the role of the financial system as the medium of corruption and exploitation. By distributing the nation’s economic resources, the banking system was a powerful arbiter of economic opportunity. Further, government management


The money debate and American political development of the money supply both indirectly (by determining the monetary standard) and directly (through Treasury operations) affected prices and incomes for producers and debtors more generally. Money could corrupt the government. A corrupted government might use its authority to further strengthen the position of financial managers and elites. The skewed operations of the financial system would then lead to increased inequality and political degeneration. As former Greenbacker James Weaver said at the 1896 Populist convention,

We cannot be mistaken concerning the real issue involved in the struggle of the present year. It is between the gold standard, gold bonds, and bank currency on the one hand, and the bimetallic standard, no bonds, and government currency on the other. The people are asked to choose between enforced idleness, destitution, debt, bankruptcy and despair on the one hand, and an open door of opportunity under just laws and normal conditions on the other.

Finance was the key to the future economic and political development of the nation.8

Institutionally, the money debate addressed the new economic and political structures that emerged from the Civil War. The war destroyed much of the economic base of the South, spurred industrial development nationally, and afforded increasing economic transactions between the Northeast and Midwest. During the war, Congress established new national banking and currency systems. After the war, financial conservatives sought to shrink the money supply and reestablish the gold standard. They also defended the role of the NBS in managing credit and currency distributions. In contrast, the antimonopolists or financial reformers criticized both the gold standard and the NBS for skewing economic opportunities in favor of creditors, industry, and the Northeast. When antimonopolists and financial conservatives sought to promote their positions within the political arena, they discovered that the major parties avoided direct confrontation on monetary issues, and worked to maintain voter loyalty by rehearsing old Civil War antagonisms instead. Despite its breadth and duration, the financial debate was constrained by a party structure that made direct competition between opposing finan-

8. This speech was given by James Weaver, a former presidential candidate for both the Populists (1892) and the Greenback Labor party (1880). It is reprinted in Bryan, *The First Battle*, p.278. The centrality of financial reform for the Populists is the theme of Bruce Palmer’s “Man Over Money: The Southern Populist Critique of American Capitalism” (Chapel Hill: University of North Carolina Press, 1980). The importance of money to farmer-labor radicalism in the postwar period more generally is a theme of Chester McArthur Destler’s *American Radicalism*. See especially chapters 2, 4, 8, 9, and 11.
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cial programs difficult. The financial debate both addressed and was af-
fected by institutions that governed the economy and polity.9

Beginning with the second annual meeting of the National Labor Union
(NLU) in 1866 and extending through the Populist campaigns of 1896, farmer
and labor organizations gave prominent attention to their interest
in financial reform. Small and medium-sized businessmen and manufac-
turers were also involved in antimonopolism, especially during the 1870s.
Frustrated with the regular parties, the financial reformers established a
series of third parties to promote their cause. For every presidential elec-
tion (and most Congressional elections) between 1872 and 1896, there
was a national third party competing that was committed to the cause of
financial reform. These included small parties such as the Labor Reform
party, the Antimongolist party, and the Union Labor party. There were
also larger parties, particularly the Greenback (and Greenback Labor)
parties of the 1870s and the Populist party of the 1890s, which con-
tributed to the realignment of the party system. Whether these parties
were organized under the auspices of labor or farmer organizations, they
consistently advocated currency expansion, banking reform, and demo-
cratic control of the financial system. Antimonopolism was a producers’
movement rather than a farmer or labor effort.

The dispute over money spilled over from Congressional debates and
the electoral arena to the wider political culture. A clear portrait of the
rich cultural politics of money emerges from the books and pamphlets
of the postbellum era. The nation was enthralled with the topic of money.
Even L. Frank Baum, the author of the children’s classic, The Wonderful
Wizard of Oz, exhibited this fascination. Published in Chicago in 1900,
the Oz tale contains numerous allegories about sectionalism, class, race,
and gender relations. In the book, the people of the South are separated
from their northern neighbors by hard-headed men (Hammerheads) who
hold the sections apart. Among the central characters, the Scarecrow and

9. See Richard Benson, Yankee Leviathan: The Origins of Central State Authority in Amer-
ica, 1859–1877 (Cambridge: Cambridge University Press, 1990), for a discussion of the
economic and institutional changes that emerge from the Civil War. Richard L. Mc-
Cormick provides a fine review of the literature on party politics in the late nineteenth
century in the first three chapters of his collected essays, The Party Period and Public
Policy: American Politics from the Age of Jackson to the Progressive Era (NY: Oxford
University Press, 1986). Other works that deal with labor or agrarian radicalism and the
constraints of party politics include Richard Oestreicher, “Urban Working Class Politi-
cal Behavior and Theories of American Electoral Politics, 1870–1940,” Journal of Ameri-
can History, 74 (1988): 1257–1286; Sean Wilentz, “Class Consciousness and the Ameri-
can Labor Movement, 1790–1920,” International Labor and Working Class History,
no. 26 (Fall 1984): 1–24; and David Brody, “On the Failure of U.S. Radical Politics: A
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the Tin Woodman appear as class figures, the former as a senseless farmer and the latter as a hardened worker. The story’s Flying Monkeys accord to contemporary images of Native Americans who were banished from the northern woods and placed under authoritarian rule in the West. Dorothy is the all-American girl from the heartland, with the big heart, independence, and daring, a fine example of the sort of woman that the suffragettes had in mind when they promoted their cause. The thread that weaves these themes together is money. Monetary allegories run throughout the book, from silver slippers to a golden cap, to a city the color of greenbacks. The discussion of the Wizard of Oz later in this chapter and throughout this work is a reminder of the broader meanings of monetary politics in the late nineteenth century, and of the ways that historical memory is shaped by political development.10

II. History, political development, and the financial debate

Within any work on political change there is an implicit or explicit conception of the role of history in shaping political alternatives and outcomes. Such conceptions have a broad effect on how past political contests and losing alternatives are understood and represented. Over the last couple of decades, as scholars in the social sciences and humanities return to history, their conceptions of history have changed. Recent works mark a break in the treatment of historical representation and historical development. The employment of contingent and interpretive theories of history opens up new possibilities for understanding American political development.11

Historical representation concerns the ways in which past events and experiences are depicted in historical accounts. Work on language and representation suggests that all depictions are partial and culturally bounded. Thus, historical accounts may never be said to objectively reproduce the past through the rational collection and ordering of facts and

10. L. Frank Baum, The Wonderful Wizard of Oz (Chicago, 1900). An overview of the interpretive literature on the Wizard of Oz appears later in this chapter.
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artifacts that are opaque and separate (that is, not determined by their histori

tical context) in their meaning. Rather, history, like memory, is under

stood as a matter of “construction rather than mere reproduction.” Every

history has a narrative structure and symbolic character that contributes to its

target and meaning.12

Students of development look to history to discover the laws of social

change. From a modernist perspective, history is viewed as progressive and

holistic – as time moves forward, humankind advances economically,

politicaly, and socially. The pairing of industrial development with the

spread of democratic rights exemplifies the comprehensive nature of his

torical progress. 13 Yet what was previously seen as progressive and whole

is now often understood as fragmented, layered, and contingent. As so

cial historians recover the experiences of the less powerful or publicly sit

uated groups in society, they introduce competing historical narratives with different periodizations.14 As political scientists contest the view of

American history as a record of expanding liberal practices, politics as

progress is displaced by a conflicting history of trends toward inequality and

ality.15 As pivotal political moments are treated as turning points in which real political choices are made, outcomes seem more contingent


