

EIR Feature

Reconstruction: the Civil War battle yet to be won

by Fredric W. Henderson

Around the world today, there is a crying need for a program of economic reconstruction. The newly created nations in Europe, like those of the former Yugoslavia; the continents of Africa, Asia, and Ibero-America which have been devastated by the genocidal economic policies of the International Monetary Fund; and the former Soviet Union, which is now facing uncontrollable chaos, must not merely survive, but must be able to develop and contribute to the betterment of their own peoples and of humanity in general.

The issues posed today are the same as those that faced President Abraham Lincoln and the congressmen and senators who came to be known as the "radical Republicans" at the outset of Lincoln's second term. Although Lincoln was assassinated in April 1865, before he could fully elaborate and carry out a program of economic reconstruction for the South, the radical Republicans were spurred to continue the fight. They were led by the great nineteenth-century economist Henry C. Carey, who conceived of the fight to rebuild America's South as part of a global war against the imperial policies of Great Britain then being brutally implemented in India and which had dominated the cotton-based economy of the U.S. South. Carey's principal ally in the U.S. Congress was the unflappable, uncompromising congressman from Pennsylvania, Thaddeus Stevens, who led his allies in the Republican Party in defining the nature of the work to be completed in the South. Stevens refused to back down from what he knew to be the principles which would complete this second American Revolution, by developing in the South an economic system based on free labor, and expanding infrastructural and industrial development in that sadly underdeveloped region of the country.

Today, Carey and Stevens's names are practically unknown; yet they were the two who best understood that their battle was not against a bunch of "unreconstructed" Southerners, but against the economic parasitism of Great Britain.

The broader outlines of the battles waged during this period have been masterfully described by W. Allen Salisbury in his book *The Civil War and the American*



The murderous Ku Klux Klan, shown here in a contemporary cartoon, fueled the fires of insurrection against the Reconstruction policy of the American System leaders. Behind the KKK stood the British and Freemasonic interests typified by Gen. Albert Pike, whose statue is shown on our cover.

System: America's Battle with Britain 1860-1876 (New York: Campaigner Publications, 1978). To him, for that work soon to be reprinted by *EIR*, all of mankind is indebted. However, there are also key aspects of the battles in Congress that are essential to fully understanding this period.

All historical debate about what occurred following the U.S. Civil War, has centered on the efforts of the so-called radicals in the Republican Party to assure through Reconstruction a solid Republican South to maintain their political control over the nation. Such issues as black suffrage, disenfranchisement, and the exclusion of former Confederate officials from holding office after the Civil War, have become the yardstick by which the motivations of postwar congressional leaders are measured.

This misses the essential point: How Reconstruction policy for the South was defined, would be critical to what types of policies would prevail nationally. There can be no question that such leaders as Carey, Stevens, Congressman "Pig Iron" Kelley of Pennsylvania, and Senator Benjamin Wade of Ohio saw the Reconstruction of the South as the economic, political, and social battleground that it was. But their object was broader, for they also viewed Reconstruction as the completion of the American Revolution: It was to be the means to eliminate the influence and control of British power in America. A South rebuilt along the lines of the American System of political economy would serve, along with the West, Midwest, and Mid-Atlantic, as an irresistible force against the New York and New England centers of British-

allied financial power and economic, social, and political doctrine. The transformation of the South, which before the war had accepted British free-trade policies with open arms, into a prosperous region within the Union, based on American System economic development measures, would have helped to bankrupt British-allied financial power in the United States, and with it, Britain.

The opposing faction, committed to British free-trade economic doctrines and British "liberal" political dogma, included President Andrew Johnson, Treasury Secretary Hugh McCulloch, Secretary of State William Seward, "transcendental" Senator Charles Sumner of Massachusetts, Congressmen James Garfield and George Julian, and August Belmont and his pro-British, pro-Confederate Democratic Party. They were committed to the sabotage of Reconstruction, which would, in turn, create an unbreakable stranglehold over the nation through an alliance of the New York and New England banking interests with an unreconstructed South.

The battle between these two factions, which would determine the policy direction for the United States to the present day, raged during the years 1865-68 and culminated in a dramatic attempt to impeach President Andrew Johnson; this was a failed effort which can only be described as an attempted constitutional coup d'état by the American System wing of the Republican Party, in a bid to restore those policies of the war years that had been wiped away with Lincoln's assassination and Johnson's subsequent traitorous sabotage

of both Reconstruction and national economic policy.

For these reasons, it is important to accurately describe how this battle was waged, and why it was lost.

Carey and Stevens define the issues

From 1865 to 1868, Stevens, Carey, and their allies hammered away at what they saw as the crucial issues the United States had to face if it was to throw off the yoke of foreign political and financial control of the nation: protection of U.S. domestic industries, confiscation of the large Southern plantations and their redistribution in the form of family-sized farms, defense of the nation's currency and credit, and, much like today, dealing with the massive national deficit created by the Civil War.

Carey's most direct and powerful address on the issue of Reconstruction came in the form of his August 1867 pamphlet "Reconstruction: Industrial, Financial, and Political; Letters to the Hon. Henry Wilson." Carey timed his publication of the pamphlet with Congress's passage of the first of the Reconstruction Acts. He directed himself to Wilson because Wilson was a leading "radical" Republican of a distinctly pro-British, pro-free-trade stripe. Wilson was also a U.S. senator from Massachusetts who, along with Charles Sumner, had been instrumental in compromising congressional Reconstruction because of these pro-free-trade views. Wilson and Sumner believed that cotton, which was Britain's hook into the U.S. economy, should remain king in the South, and that the newly freed slaves should remain agricultural field hands. For them, all that had changed was that 4 million slaves were now free. Their pro-British bent was preventing any fundamental change in the feudal economic character of the South from being implemented.

Carey's pamphlet thus was designed to address Wilson and Sumner's fundamental error with respect to the issues of Reconstruction. "British policy," warned Carey, "looks to arrest the circulation of the world by means of compelling all

raw materials produced to pass through its little workshop. It is a monopoly system, and therefore it is that poverty, disease, and famine, all of which unite for the production of slavery, are chronic diseases in every country wholly subjected to British influence.

"Therefore, too, has it been that British agents have been always in such close alliance with the slave-holding aristocracy of the South; and that throughout the late war, British public opinion has been so nearly universally on the side of the men who have publicly proclaimed that slavery was to be regarded as the proper corner-stone of all free institutions.

"British free trade, industrial monopoly, and human slavery travel together, and the man who undertakes the work of reconstruction without having first satisfied himself that such is certainly the fact, will find that he has been building on shifting sands, *and must fail to produce an edifice that will be permanent*" (emphasis added).

In the remaining 14 letters, Carey outlined how British policy had created the slave-based economy of the South, and how, for 30-odd years, the battle over whether such British economic and political policies would prevail nationally had been at the center of the fight to shape America's future. He then made clear that the result of the dominance of such British measures was the root of secession, and that it had been Britain's use of its allies and agents, North and South, that had provoked the conflict of 1861 in an effort to relegate the United States to a grouping of "independent" but impotent satrapies, easily exploited by British power.

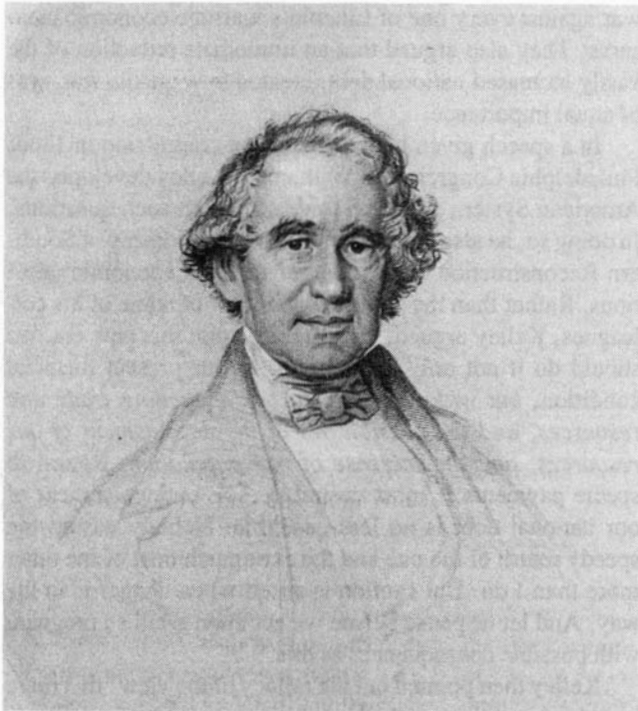
If those policies prevailed after the war, Carey warned, the victory over Southern secession would be meaningless: America would be torn apart by the very same forces that had provoked the conflict in 1860-61.

Free trade vs. the American System

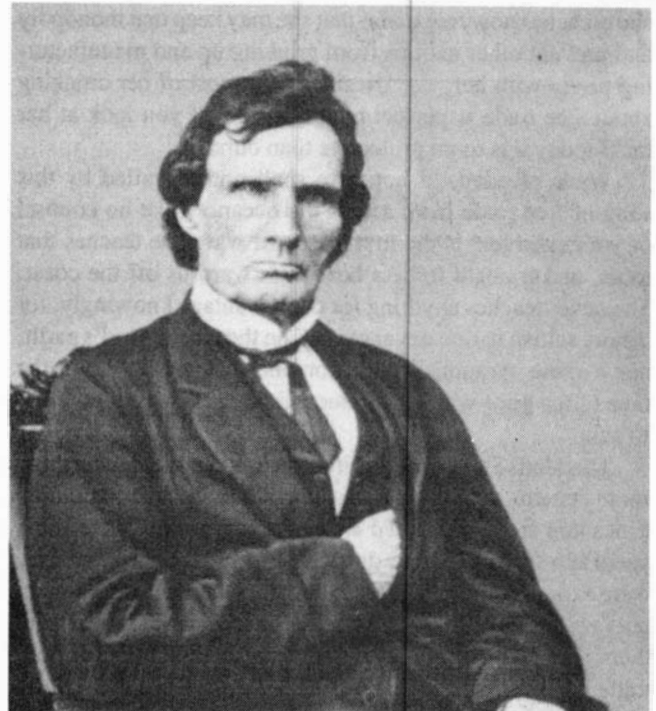
This view, which was also held by Stevens, Kelley, Wade, and their allies, was central to Stevens's proposal for confiscation and redistribution of the former large plantation holdings in the South, and the development of Southern economic resources. Stevens considered confiscation the most important component of any policy imposed by Congress, as an issue which separated the free traders in the Republican Party from the defenders of the American System of political economy who had successfully been re-established during Lincoln's presidency. Sumner, Seward, Treasury Secretary McCulloch, Johnson, and the influential, liberal *New York Tribune* editor Horace Greeley cringed at the idea of dirigist economic development in the South. The Reconstruction legislation proposed by Stevens was not merely opposed to free trade, but was meant to enforce an economic outlook consistent with, and essential to, the fulfillment of the principles of political and civil equality, which were at the center of the battle over political reconstruction—i.e., the full return of the Southern states into the Union.

Carey, Stevens, and their allies found themselves opposed on these economic questions—on the real core of Re-

Editor's note: In a recent response to a reader's inquiry about Frederic Henderson's article "Time to Bury the Dead Culture of the Confederacy" (*EIR*, Aug. 28, 1992), we announced plans to publish a sequel to his study, on the topic of "Free Trade, the Confederacy, and the Political Economy of Slavery." It turns that an article by that title was published in the *New Federalist*, Nov. 11, 1991, as well as a conference presentation on this topic, "This Planet Cannot Endure, Permanently Half Slave and Half Free," in *New Federalist*, Oct. 5, 1992. Since this material is available, we are publishing instead this exclusive report on the political battle over Reconstruction. It sheds further light on the vital issue of the British System ("free trade") vs. the American System.



Henry Carey, the great economist of the American System, who challenged the British policies of free trade and malthusianism.



Thaddeus Stevens of Pennsylvania, Carey's principal ally in the U.S. Congress.

construction measures—by this grouping of pro-British free traders and radical abolitionists. Sumner and his cronies within the Republican Party purported to fight for political and social reform in the South, while stripping the nation of economic measures implemented under wartime pressures—measures that had made the abolition of slavery and the defeat of the Confederacy possible. They thus became, along with the still pro-British, pro-Confederate wing of the Democratic Party controlled by August Belmont and his friends, the most powerful allies of the very Southern slave system they had so violently attacked before the war—ironically, thus ensuring that the root causes for such a system would never be eliminated from the South.

Protection of U.S. industries

After the war, advocates of free trade, both North and South, Democratic and Republican, wished to use the issue of the U.S. war debt, in conjunction with efforts at specie resumption, tariff reduction, and currency contraction, to subvert American economic policy and power. One of the goals of the free traders was the elimination of the wartime protective tariff. A second was the refinancing and repayment of the national debt in specie (gold), as opposed to U.S. currency (greenbacks). These measures, if accomplished, would enable the New York and British financial houses to subvert American economic power. This was a continuation of America's ongoing fight to control its financial institutions and to direct its economic development, rather than succumb

to foreign, primarily British, economic domination.

Sen. Benjamin Wade of Ohio made this point clear in a speech he gave in favor of the Tariff Bill of 1866, urging the Senate to put off no longer what he considered a critical measure for fostering the development of industry in the South as well as the rest of the nation. Wade began with reference to his own state, noting that in Ohio, "what few manufactories we have are in their infancy and free trade would annihilate them at a blow." Wade pointed out that without a tariff during the Civil War, the war "would have been a failure and your bonds would have been no better than confederate bonds today if you had no tariff. Your paper [money] would have been multiplied endlessly, and would be worth nothing. It was your tariff that upheld it. It is your tariff that by encouraging American labor must keep your specie from going out of the country. There is no other way to do it."

Asked Wade, "Why does Great Britain send her emissaries here preaching free trade all the time, subsidizing presses to advocate it, hiring traveling agents to preach it, expending millions to pervert our minds on the subject? Why, sir, her people were the most highly protected on the face of the earth, until encouraging her own labor and building up her own manufactures she had acquired the monopoly of manufactures throughout the world by the very process of protection; and when she stood so high, with her machinery all perfect, her wealth infinite and ready to annihilate any infant establishment, then, for the same reasons that she had se-

cured the exclusive manufactures of the world by protection, she preaches now free trade, that she may keep that monopoly and prevent other nations from growing up and manufacturing to vie with her. . . . Besides . . . most of her croaking about free trade is perfect hypocrisy; for if you look at her tariff today it is more protective than ours.”

Wade pleaded, “I hope we shall not be guiled by this song of free trade from across the ocean. ‘Take no counsel of your enemies’ is the first lesson of war. She teaches that to us, and it ought to be a beacon to warn us off the coast. She never teaches anything for our advantage knowingly; for a more selfish nation never existed on the face of God’s earth, nor a more tyrannical one, nor one that grinds down the face of the poor with such remorseless energy as does Great Britain.”

Thaddeus Stevens added his voice to Wade’s during these same debates by pointing out that “All those free-trade doctrines that are now located along the Mississippi were some years ago further located down South. I had hoped that they were expunged from the free industrial manufacturing North, but I was mistaken. Whatever else the secessionists took with them, I am very sorry they did not take all their relics of free-trade doctrine with them. But it seems they did not; a little of the seed is left.”

The national debt and the destruction of the national currency

The elimination of the greenbacks, or what was termed currency contraction, was central to the plan of the New York banks, and their British allies, to ensure destruction of American economic independence. The greenbacks were a national paper currency created by the Lincoln administration and its allies in Congress during the war to allow the financing of the war effort and general economic expansion. This was only possible because, by creating a national currency, the government directly controlled the nation’s credit, and as a result was not dependent on either American or foreign banks for its ability to finance itself. Lincoln and his congressional allies, most notably Thaddeus Stevens, had thus severed the U.S. economy from the British-controlled financial markets, destroying their ability to manipulate American economic policy. Eliminating the greenbacks, resumption of payments on United States bonds in specie, elimination of the wartime protective tariff, and the refinancing and repayment of the national debt, represented the major mechanisms for British subversion of American economic power.

Advocates of contraction argued that the greenbacks did not represent a sound currency since, they claimed, it was inflationary. They proposed that a combination of their withdrawal from circulation and a return to payments in specie (or gold) of both interest and principal on government bonds was the only way to ensure the financial community’s “confidence” in U.S. credit and, therefore, economic stability. But the “confidence” they sought was from the very institutions which they represented: the New York and international

banks, the very banks that had waged political and financial war against every one of Lincoln’s wartime economic measures. They also argued that an immediate reduction of the vastly increased national debt, created to wage the war, was of equal importance.

In a speech given in the debates on contraction in 1866, Philadelphia Congressman William D. Kelley developed the American System approach to dealing with such questions. In doing so, he also made clear the interrelationship of Southern Reconstruction and the larger national economic questions. Rather than the short-sighted view of some of his colleagues, Kelley argued, “In entering upon this new era, we should do it not only in reference to our present financial condition, *but with reference to our expanding trade and resources, and the possibilities of the development of our resources, and the increase of our population.* Return to specie payments is most desirable. The extinguishment of our national debt is no less desirable. Nobody wishes the speedy return of the one and the extinguishment of the other more than I do. But caution is speed when danger is in the way. And let us pause before we act upon a bill so pregnant with possible consequences as this.”

Kelley then pointed out the fallacy of the view “that there is only one way in which to approach a return to specie payments, and that is by contracting the currency”: This, he said, was the sure road to economic ruin. He pointed out that such a view “is a mistake, but it brings me to consider the vastly greater and more dangerous powers contained in the authority to be given the Secretary of the Treasury to redeem the greenback and fractional currency, our only non-interest-bearing loans. . . . There is another way [which] leads to wealth and power.”

Kelley then elaborated this route to real financial solvency, arguing for economic development and not austerity, in the form of contraction, and against a single-minded commitment to the repayment of the national debt. He noted, “We mine more gold and silver than any other nation on earth. And under the good influences of the Committee on Mines and Mining of this House, of the construction of the Pacific railroad, and the return of peace, we will mine gold and silver enough in one year to pay our debt. But what is the use of mining it? It all goes to foreign lands.” Kelley further explained the effects of such myopic thinking, in regards to economic activity. “We raise grain; but it rots in our fields, or we consume it for fuel. We raise cotton; but we send it to Europe to be manufactured; and we send the manufactures as much grain as they need to feed their workmen, and then we send them our gold with which to pay them for making our iron and spinning and weaving our cotton and wool. Let us modify that.

“The people of the Northwest are the great importers of grain into this country. While their wheat is rotting in their fields, and their corn blazing in their stoves and heaters, they are importing grain. Yes sir; grain condensed into railroad iron, condensed into cloth, condensed into every article they

wear and use, and which they import, but might manufacture. I say that the question of specie payment connects itself with the question I am now touching upon—the fostering of the skill and industry of the country.”

He argued that the expenditures of the war years had been made to guarantee the future of the nation: “Mr. Speaker, we fought this war for posterity, and I am willing posterity, as the price of the blessing we transmit, shall pay the pecuniary debt we have contracted. . . . I am willing it shall pay the debt with which we have mortgaged the magnificent estate we are to leave them.

“I am not willing to tax the widows and orphans of our soldiers to hasten the payment of our debt. One half of our country is devastated by war, its system of labor demoralized, and it has its widows and orphans; and I am not willing to tax them and their wasted estates in order that we may hasten to pay this debt.”

Noting the measures that should be taken instead, he indicated the result: a vastly *greater* capability to deal with such financial questions, which is the result of real economic expansion. “Let us so legislate that there shall be no expansion of the currency. Let us so legislate that there shall be no increase in the debt. And let us so legislate as to relieve our labor of taxation to the amount of the difference between our income and our expenditures. . . . Let us relieve all those branches of industry which are now impaired or destroyed by our internal taxation. Promote the development of our resources and stimulate our industry by repealing taxes in the amount of one hundred and fifty or two hundred million dollars per annum. Let us promote the recuperation of the South and give employment to the discharged soldiers of the North, and in five years the principle laid down by the gentleman from Massachusetts, that the extensive development of the resources of the country and the increase of population creates uses for money will be demonstrated, and we will have a population which will carry the amount of currency which now indicates undue expansion. . . .

“Then, sir, what will be the case? Why, ten years hence the employment of American labor, steadily and at liberal wages, will, by inviting emigration, have doubled our population, and will not only have quadrupled, but twice quadrupled our material resources. You cannot calculate the ratio of the increase of our taxable wealth. For, sir, what was known until within a few years ago as the great desert which was forever to divide the Atlantic and Pacific States is found to be one vast mass of gold and silver and precious stones. So that into the desert so many men are swarming in busy hives and are drawing from the earth treasures in comparison with which the storied wealth of ‘Ormus and of Ind’ are not to be named. At the end of ten years our population may be doubled and our taxable property will have doubly quadrupled, and your share of our debt, Mr. Speaker, will be lessened just in proportion as we shall have increased the number of consuming and taxable citizens, and that of your estate will be diminished by the vast aggregate of wealth developed

by enterprise or accumulated by industry.”

Kelley ended by noting that something more than the ability to create a balanced ledger sheet was needed if the nation were to prosper: “I hope the power to contract the currency by redeeming our non-interest bearing debt, the legal tenders, will not be granted. I do not lack confidence in the qualities of the Secretary of the Treasury as a banker. I believe him to be one of the ablest in the country; but I believe that bankers’ wisdom is a delusion in these days. What we want is, the sagacity, grasp, and courage of statesmanship, and his propositions, as disclosed in this bill, do not, I think, display these qualities.”

Confiscation was the central issue

Reflecting the global nature of the fight involved in reconstructing the United States, Henry Carey, in a pamphlet strategically published after Ulysses S. Grant’s election to the presidency, his 1868 “Letters to President-elect U.S. Grant,” put before Grant, the Congress, and the nation the example of the extraordinary transformation that had occurred in Germany in less than 30 years because of the adoption of Friedrich List’s system of protection for Germany, known as the Zollverein.

Carey pointed out the importance of List’s American System measures to another economic revolution which had occurred in Germany, that of the Prussian land reforms: “[Baron H.F. vom] Stein gave the Prussian people that freedom which has everywhere been seen to result from division of the land but to make it permanent, . . . To prevent the retrograde movement which must inevitably have resulted from persistence in a policy which separated producers from consumers, and which looked to constant exportation of the soil in the form of rude products, it was needed that another great man, List, should make his appearance on the stage. At the cost of both property and life he did the work, and if we now seek his monument, we shall find it in the remarkable empire that has so recently appeared upon the European stage, described in my former letter.”

That wasn’t all. Knowing full well of the strategic alliance which had existed between Russia and the United States during the Civil War, Carey pointed out that “Russia, by dividing her land among those who previously had owned or cultivated it, has made one great step towards the establishment of freedom for her whole people. Thus far, however, the Emperor seems to have failed to see that there can be no real freedom for men who are compelled to waste their labor and to exhaust their soil by sending its products in their rudest forms to foreign markets. The day must, however, come when his eyes will be open to that great fact.”

But, said Carey, unlike Prussia and Russia, the United States, “failing altogether to profit by the great examples that had thus been set for us, we have proclaimed emancipation while leaving all the land in the possession of its opponents; and have given the right of suffrage to [the freedmen], men who, as the recent election has proved to be the case, must

exercise it in a way to please their late masters, or forfeit power to obtain bread for their wives and children.”

Thus the 4 million newly freed slaves were only “nominally free,” and, wrote Carey, their condition without land “must be far worse than it had ever been before.”

Carey urged Grant, “Let it now be understood that men and women who give themselves to the work of Southern development both can and will be sustained by all the powers of government, and the negro will become really free, while the nation will become as really independent.” If this were not done, he warned, “the negro will be re-enslaved; the Union will be split up into fragments, as so recently has been the case with the great empire [Germany] which now stands in the lead of Europe; and the men who have so nobly carried us through the late rebellion will have to regret that their labors have resulted in leaving the country in a condition far worse than that which had existed when Fort Sumter had been first assailed.”

Stevens and Carey saw eye to eye on this issue. The congressman attempted, unsuccessfully, to include provisions for such a redistribution of Southern land into Congress’s Reconstruction measures, in the form of the initial proposed Acts of Congress for Southern reorganization. Having succeeded in the initial redistribution of Southern lands through the wartime Confiscation Acts, and Freedmen’s Bureau, signed into law by Lincoln, but wrecked by Andrew Johnson’s mass pardoning of former rebels, he wished to see the issue addressed head on. He also fought, again unsuccessfully, to ensure that such a provision be included in the body of the Fourteenth Amendment to the Constitution.

Any talk of confiscation was enough to make the likes of Horace Greeley hysterical. Greeley editorialized in the *New York Tribune*, in opposition to this “radical” proposal: “We protest against any warfare against Southern property . . . because the wealthier class of Southerners, being more enlightened than the ignorant and vulgar, are less inimical to the blacks.”

As Stevens was quick to point out, however, it was this very “wealthier class of Southerners” which had, to a large degree, led the South into rebellion and which constituted the most virulent opponents of political and economic equality for the freedmen.

Besides such editorial response, however, a more significant effort was being engineered by Massachusetts cotton broker and “radical” ideologue Edward Atkinson, who was also a free-trade propagandist. Atkinson informed Johnson’s treasury secretary, Hugh McCulloch, in August 1867: “I am endeavoring with some others who are known as extreme radicals to give such direction to the reorganization of the South as shall prevent the creation of an exclusive black men’s party and also to kill the scheme of confiscation. I also hope we may be able to secure the election of a Southern delegation who shall not be under Thad Stevens’s lead on tariff and currency questions, but of this I am not hopeful. The new men of the South will be likely to be the very men

who will follow Stevens even to prohibition of imports; they will be misled by the desire to establish manufactures and to diversify employment.”

Stevens’s proposal thus served as the starting point for the heated debates which would follow over the transformation of the South. He was the first to elaborate a congressional policy for Reconstruction as an alternative to that of President Johnson. What Stevens had in mind is clear from his introduction to his proposed Acts explaining the need for seizing the property of this grouping of Southern rebels:

“Reformation must be effected,” said Stevens. “The foundation of their institutions, political, municipal, and social, must be broken up and relaid or all our blood and treasure have been spent in vain. . . . Heretofore Southern society has had more the features of aristocracy than democracy. The Southern States have been despotisms. It is impossible that any practical equality of rights can exist where a few thousand men monopolize the whole landed property. . . . How can republican institutions, free schools, free churches, free social intercourse exist in a mingled community of nabobs and serfs, of owners of twenty-thousand-acre manors, with lordly palaces, and the occupants of narrow huts inhabited by low white trash? If the South is ever to be made a safe republic let her land be cultivated by the toil of its owners, or the free labor of intelligent citizens. This must be done, even though it drive the nobility into exile. If they go, all the better. It is easier and more beneficial to exile seventy thousand proud, bloated and defiant rebels than to expatriate four million laborers, native to the soil and loyal to the Government.”

Stevens thus proposed to crush Southern oligarchical power by confiscating their immense land holdings, providing land and economic independence for the newly freed blacks and poor whites of the South. Confiscation simultaneously would have established the basis for enduring republican institutions based on development-oriented economic policies. Stevens viewed the issue as so central, that when he presented it to the Congress on March 19, 1867, he said, “Whatever may be the fate of the rest of the bill I must earnestly pray that this may not be defeated. On its success, in my judgment, depends not only the happiness and respectability of the colored race, but their very existence. Homesteads to them are far more valuable than the immediate right of suffrage, though both are their due.”

Stevens also proposed to take the proceeds from the sale of those confiscated lands, to provide for the payment of the costs of the war that these aristocrats had provoked and supported. This included the creation of the funds to provide pensions for veterans and their families, to pay the damages done to loyalists whose property had been seized or destroyed as a result of the war, and to pay the war debt.

However, Stevens’s “confiscation” measure implied far more than simply necessary redistribution of Southern agricultural land, and a just repayment of the costs that resulted from such Southern agents of disunion, in their efforts to

destroy America in the interests of the British financial oligarchy.

Not only did this small group of the Southern population control almost all land, and through the slave-based plantation system, monopolize and direct all other Southern economic resources, but because of the usurious character of the financing of Southern agriculture, they owed massive amounts in credit extended by the factors, brokers, and merchants of the international cotton trade. Such British-allied New York finance houses as Brown Brothers, and such British financiers as the Baring and Rothschild interests, whether directly or indirectly, controlled well over 90% of Southern cotton production, and thus the majority of Southern debt was in the hands of these New York, London, and Liverpool houses.

For well over 10 years prior to the war, from the Compromise of 1850, the circles of New York finance and business, almost to a man, tirelessly worked in behalf of Southern interests. Tied economically to London and the slave-based cotton economy of the American South, they functioned as the center of Northern support for British free trade and its maintenance in the form of support for the growing influence of King Cotton.

Stephen Colwell, a collaborator of Henry Carey and a preeminent economist, calculated, in 1859, that over \$200 million a year in trade with New York came from, and therefore was dependent on, the Southern cotton economy.

For such reasons, New York bankers and businessmen were among the leading advocates of free trade and of slavery; they also went into a virtual panic with Lincoln's election and the South's break with the Union. New Yorkers' fears of repudiation by Southern planters in 1860-61 were so intense that a large number of them began to organize for New York City itself to leave the Union, furthering the British effort to "Balkanize" the United States, and set itself up as a free city. They hoped that in so doing, and becoming, as August Belmont would argue, "the Venice of the West," they would ensure that neither Southern debts nor their special relationship to the South and to British finance would be lost. One pro-secession New York financier argued in December of 1860, "I would have New York a free city—not a free city with respect to the liberty of the negro, but a free city in commerce and trade. . . . There is. . . no other way in which New York City can preserve her position, retain the value of real estate, prevent the breaking up of all the material interests with which the city is identified and saving her merchants from ruin."

Thus, Stevens's proposed confiscation and sale of such Southern land was a bombshell thrown in the midst of the international financial community. Stevens calculated that land to be worth \$3.5 billion, and he intended, not only to force those who had caused the war to pay off three-quarters of the national debt, but to cripple the real financial power behind such an oligarchical system.

As Stevens argued: "Those who will be affected by this bill will not exceed seventy thousand out of a population of

six million whites, for this is a people of aristocrats and subjects; of a proud nobility and a cringing, poor peasantry. Those seventy thousand persons own about three hundred and ninety million acres of land out of the five hundred millions in the confederate States. This, together with the town property, cannot be worth less than \$10,000,000,000. This estimate includes no man's property who was worth less than \$10,000; nor does it include any personal property, which may perhaps swell it to \$12,000,000,000."

Given the implications of what Stevens and Carey had in mind, it should come as no surprise that Great Britain and its allies launched what was virtually a second war to ensure that they would not prevail. Begun with the assassination of Abraham Lincoln, that war would be waged over the same issues that had been central to that which was fought from 1861-65.

The implications of such a proposal were staggering to those free traders who hoped to carry the day in their efforts at the destruction of "American System" economic measures. They were potentially even more devastating to the two centers of financial and political control behind the free-trade onslaught against America. For with the confiscation of the property of the approximately 70,000 cotton barons who controlled the wealth of the South, the more than \$300 million debt owed to the New York banking consortium and its British allies would be wiped away. (This was the same consortium which had waged political and financial war against every one of Lincoln's wartime economic measures and which, with the New England textile merchants, represented the center of free-trade agitation in the United States.) Even more significantly, Stevens's proposal would also have wiped away some \$1 billion in indebtedness to London and Liverpool factors, shaking the British financial system to its foundations.

Given the implications of what Stevens and Carey had in mind, it should come as no surprise that Great Britain and its allies launched what was virtually a second war to ensure that they would not prevail. Begun with the assassination of Abraham Lincoln, that war would be waged over the same issues that had been central to that which was fought from 1861-65. However, this war would be designed to ensure that any remnants of a commitment to the American System were eliminated from American policymaking.

The composition of the 39th and 40th Congresses, which

sat during 1865-67 and 1867-69, respectively, played as large a role as Britain's agent-in-place, Secretary of the Treasury McCulloch, in determining the outcome of the critical battles over congressional Reconstruction. Lincoln, Carey, and Stevens's ability to shape a national mandate for the policies adopted during the war, and thus to control a majority in the Congress, had been critical to the defeat of the Confederacy. With the advent of peace in 1865, even despite Lincoln's assassination, a national consensus still existed; but it would very quickly be destroyed by a massive operation to guarantee that what had been lost on the battlefield, would be victorious even with military defeat.

Why Reconstruction failed

In the two years following the war, the battles over post-war measures became a struggle over which faction of the Republican Party would prevail. By 1867, although not all of the measures that Stevens and his allies had proposed had been implemented, it was clear that national policy was moving steadily toward the outlook they represented. The Stevens Republicans were beginning to prevail, and the disastrous effects of McCulloch's contraction policy and moves toward resumption of specie payments created significant economic dislocation throughout the nation. In the South as well, the political leaders and institutions in the former states of the Confederacy were certain to follow the lead of Stevens and Carey, and support the measures that they had been fighting for. Thus, the readmission of Southern states to the Union and the return of their senators and congressmen to deliberations in Washington, D.C., could very well doom the free traders in America.

These four sessions of Congress would be controlled by Republicans, but within that Republican majority, there were essentially three groupings. Historians have tried to describe the alliances within these bodies in every imaginable way, but by blacking out the crucial role played by Carey, as well as the ideas of American System economics, they have never really been capable of understanding the strategic significance of the battle then under way.

One faction was committed to the restoration of the American System economic policies which had won the war and transformed the nation. Led by Thaddeus Stevens and William Kelley in the House and Benjamin Wade in the Senate, they have been labeled "extreme" radicals by historians. In fact, their "extremism" was the result of their commitment to the doctrines upon which the United States had been founded, the same principles of political economy advocated by Benjamin Franklin, George Washington, and Alexander Hamilton. Like the founding fathers, they saw the fulfillment of the political principles of the Declaration of Independence and Constitution as the basis for the Reconstruction of the South and a realignment of national political power.

Their opponents were proponents of British economic, social, and political doctrines, Americans who had surrend-

ered their loyalty to the principles of American republicanism. This alliance included some rather strange bedfellows, like the radical abolitionists Sumner and Julian, as well as more moderate Republicans like Rep. Roscoe Conkling, a leader in the New York political machine of William Seward and James Garfield, all of whom were joined on the Democratic side by August Belmont's Democrats.

The "swing" group in this battle were the "middle ground" Republicans of both radical and moderate outlook, who generally either knew nothing or very little about economic questions, or whose views could be shaped by what they thought was politically expedient. In general, they had supported Lincoln's policies during the war because they believed them to be necessary to ensure that the war effort could be sustained. They were also likely to support similar measures after the war, if they could be made to understand that they were necessary for the survival of the nation. This group included Sen. John Sherman and Congressmen Robert Schenk, Samuel Shallaberger, and John A. Bingham. Ulysses S. Grant was in this category, and his weakness on economic questions would prove disastrous.

To understand why Reconstruction failed, it is essential to understand the way in which the "middle ground" Republicans were counterorganized and misled. This is what accounts for the dramatic swing in congressional support on such issues as currency contraction, specie resumption, and the refinancing of the national debt. Certainly, those Republicans who made an abrupt about-face on such questions, many of whom were uncompromising on Reconstruction issues like black suffrage and assertion of federal power to protect the political and civil rights of the freedmen, were men of some conviction and, unlike their free-trade radical colleagues, had no fundamental ideological commitment to such economic measures.

Opponents of congressional Reconstruction often mocked Stevens and his colleagues for "waving the bloody shirt," that is, for attempting to put before the Congress evidence of the burnings of newly opened public schools for the freedmen and whites in the South, of harassment and threats against black and white Republicans, of the beatings and lynchings occurring in the South as a means to intimidate the nascent Republican Party in the states of the former Confederacy. The "bloody shirt" would come to be a term of derision, both for congressional opponents and historians, meaning an exaggerated, emotional plea used for partisan purposes. Ironically, within the Congress itself, such "radicals" as Sumner and Julian on the Republican side were engaged in their own form of political lynching of those congressmen who tended to side with Stevens, Kelley, and Wade on economic issues.

In other words, the means for manipulating the "swing" Republicans, to guarantee the triumph of British free trade, was achieved through a process of "bloody shirt" waving against them, many of whom were solid "radicals" on politi-

cal questions dealing with the South, which produced a campaign of intimidation and a bludgeoning into line on free-trade economic measures. In doing this, the allies of British free trade made adept use of the hated Copperheads (pro-Confederate Northern Democrats of the war years), President Johnson, and the unrepentant rebels of the old slave aristocracy of the South.

Amazingly, Democrats who had been thoroughly discredited by their Confederate sympathies during the war, and who opposed the Republican majority on Reconstruction measures, saw the issue of economic discontent as the vehicle for their political resurrection. As a result, such pro-Southern fanatics as Clement Valladigham and George H. Pendleton became the spokesmen for radical soft-money, anti-resumption economic doctrines. Both men, who during the war had strenuously opposed the protective tariff and the Legal Tender Acts which had created the greenbacks, now organized Democratic politicians from the western states around a plan for maintaining the greenbacks and paying off the national debt in legal tender, not specie.

Such a posture was a parody of the American System measures of Republicans like Wade, Stevens, and Kelley, since the national party was still completely controlled by the Belmont-led free-trade faction. This development laid the basis for forcing the Republican Party into a “sound” money posture and served as the foil for radical free-trade Republicans in their attacks on those Republicans who supported American System measures. It would thus be used in an effort to isolate the Carey faction in the party, and for the free-trade faction had the added advantage of preparing the way for the defeat of Carey’s allies, starting with Benjamin Wade in the Ohio legislative elections of 1867.

Beginning in 1867, those Republicans who allied with Stevens, Kelley, and Wade on such issues as support for the greenbacks and opposition to contraction, were subjected to the attacks of the free-trade Republicans for joining hands with such Copperhead heretics as Valladigham. While leaders of the American System faction of the Republican Party continued to make clear that the issue was economic policy, not who supported it, moderate Republicans preoccupied with political expediency began to become disoriented.

Sumner’s tactic was to paint a grim picture of Northern Copperheads and Southern traitors in an alliance to undermine the rights and freedom of blacks in the South. But it was precisely because the measures proposed by Stevens were not implemented—and because of the criminal actions of President Johnson—that former rebels were able to launch an effort to undermine the congressional Reconstruction program. Just as Sumner and other radical abolitionists had argued that slavery had been the one and only reason for secession and the war, they now argued for “radical” orthodoxy on a program of ensuring black political rights in the South and free-trade economic measures. Republicans who had no understanding of political economy nor of the implicit

connection between Reconstruction and national economic measures, found themselves attacked as allies of the Democratic and Southern traitors, for joining with Stevens.

With foot dragging and compromise on the Reconstruction issues, and a back-and-forth battle on economic issues, the instability of the situation was increased with the British/Freemasonic-inspired insurrection against Reconstruction by the Ku Klux Klan, which threw the South into political turmoil. Finally, the controversy over the impeachment of President Andrew Johnson erupted.

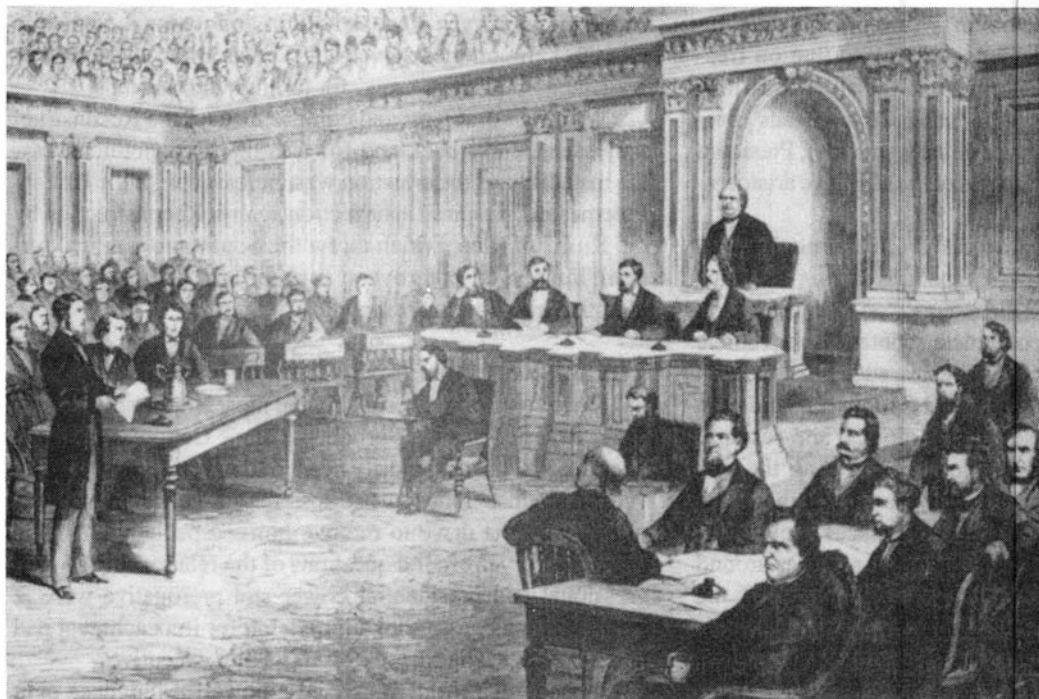
The unsuccessful bid to impeach Johnson

Since Johnson was probably the most lame duck of Presidents America has ever produced; since Congress had well over the two-thirds majority needed to override any Johnson veto; and since Johnson had less than a year remaining in office, why the drive to remove him—especially at a time when the very profound questions of the relationship of congressional and presidential power and prerogative were at issue, and the constitutional provision for impeachment had never before been utilized against a chief executive?

Johnson as President exerted a powerful influence over the Reconstruction of the Southern states. He advised Southern opponents of congressional Reconstruction to disobey, impede, and resist the law of the land, as embodied in the Acts of Congress related to Reconstruction. Such advice was not only criminal, but tended to fuel the process started by his own pro-Confederate policy in 1865-66, feeding the fires of insurrection in the South initiated by the Ku Klux Klan. His role as commander-in-chief and his control of patronage still allowed him to determine who would be the federal officials in not only the South, but in the rest of the nation as well. Johnson exercised that power to remove *en masse* appointees allied with his congressional opponents; by 1867, he had also removed every military commander in the South and replaced them with officers hostile to Congress and the Reconstruction Acts.

Equally important, the influence and prestige of the presidency was an essential ingredient in securing national consensus for such critical measures as Reconstruction and a national economic policy. A leader guiding the nation in the implementation of such measures, rather than subverting and impeding them, would have ensured the success of this “second American Revolution” for generations to come.

With Johnson clinging to both McCulloch and those free-trade policies that would dismantle the nation’s economy, and continuing in his criminal obstruction of Congress on Reconstruction, those allied with Henry Carey decided it was time to be rid of Johnson once and for all. Despite the support for impeachment for other reasons by the likes of Sumner, Julian, and Wilson, there was a very legitimate sense of outrage throughout the nation at Johnson’s actions to undermine congressional efforts to deal with the South. It was this sentiment, along with that generated by McCulloch’s



The impeachment trial of President Andrew Johnson in the U.S. Senate. Johnson was acquitted by one vote. He deserved to be convicted, but not for the reasons contained in the articles of impeachment.

economic measures, that those like Stevens, Kelley, John Ashley of Ohio, and Wade wished to direct into removing Johnson and replacing him with Wade and a cabinet committed to American System policies.

The very first calls for impeachment came from the business and manufacturing layers allied with Carey and with which such congressmen as Stevens and Kelley, and senators such as Wade, agreed. E.B. Ward and his Iron and Steel Association, along with George Wilkes, editor of the influential magazine *Wilkes' Spirit of the Age*, in early 1867, after Johnson's veto of the Civil Rights and Freedmen's Bureau bills, and his call for rejection of the Fourteenth Amendment, first raised the call for Johnson's impeachment.

Johnson was also under considerable pressure to remove McCulloch as treasury secretary, and he had even considered trying to soften the effect of removing Edwin Stanton as secretary of war, by simultaneously removing McCulloch.

John Covode, a Carey ally from Pennsylvania, introduced the initial resolution for impeachment. Immediately afterwards, Johnson's annual message, with its strong endorsement of McCulloch's contraction and resumption measures, brought strong pressure on Republican conservatives and free-trade radicals against impeachment. As a result, Covode's measure was voted down. T.W. Egan, a friend of both Atkinson and President Johnson, wrote to Johnson, "All the great Northern capitalists are afraid of the consequences of impeachment. To use the words of one of them—'the President might be crushed, but the finances of the country would go to ruin.'"

The key turning point occurred with Wade's election as

president pro tem of the Senate, placing him in the position to succeed Johnson if the President were impeached and removed from office. The influential free trader Edward Atkinson knew that should Johnson be impeached, Britain's agent-in-place, McCulloch, would be ousted. He also knew that Wade was a staunch proponent of American System economic measures and fully aware of the role of British influence and power in efforts to destroy America. Atkinson argued to numerous of his free-trade friends in Washington that the only "irreparable injury" that a chief executive could inflict "was to tamper with the currency. Upon this question, Johnson has been right and Mr. Wade is suspected of being wrong. Should such be the truth I would regard the removal of Mr. Johnson a great misfortune in its ultimate effects." He wrote to Senator Sumner that Wade's elevation to the presidency, because of his soft-money, high-tariff views, would mean that "the Republican Party would cease to exist."

Another free trader, editor Horace White, wrote to Rep. E.B. Washburne, Grant's closest political confidant, "I don't know how it may look to you, but the gathering of evil birds around Wade (I refer to the tariff robbers) leads me to think that a worse calamity might befall the Republican Party than the acquittal of Johnson."

Most violently of all, James Garfield, aware that Wade, if he became President, intended to appoint E.B. Ward, a leading opponent of contraction and other free-trade measures, as secretary of the treasury, attacked Wade: "They say that [Johnson's] Conviction means a transfer to the Presidency of Mr. Wade, a man of violent passions, extreme opinions, and narrow views; . . . [with] a grossly profane coarse nature

who is surrounded by the worst and most violent elements in the Republican Party.”

It is in the context of this overall battle that the impeachment proceedings against President Johnson must be considered; otherwise, the Johnson impeachment seems unintelligible.

With it now clear that impeachment would lead to the loss of the Executive by the advocates of free trade, yet with the push for Johnson's ouster at fever pitch, it was apparent that the only way out for this free-trade faction was to sabotage the effort. It was at this point that an emboldened President moved to fire Secretary of War Stanton, an ally of the radicals on Reconstruction measures. The issue of impeachment exploded again; however, this time it was not Stevens who moved to draft the articles, but Representative Julian and George Boutwell, a crony of Sumner and Wilson from Massachusetts.

But the character of the impeachment proceedings as shaped by Boutwell, with their fixation on Johnson's violation of the Tenure of Office Act (constitutionally dubious at best) ensured that the proceedings were turned into a political circus.

Thaddeus Stevens had adamantly opposed the use of the Tenure of Office Act as grounds for impeachment, and had drafted his own articles for impeachment, which he unsuccessfully fought to put through as the basis for Johnson's indictment. Throughout the whole of the impeachment proceedings, Stevens and his allies continued to focus on the simple reality of Johnson's real crimes in obstructing Congress as the reasons for impeachment. Stevens reiterated again and again that the core of Johnson's malfeasance was his commitment to policies contrary to the legislatively mandated policy of Congress and thus the law of the land, and the dangerously destructive character of this fact for the nation's future and well-being.

In this way, Stevens fought to have the proceedings premised on a higher legal, constitutional, and political ground. When he realized that he would not prevail, he reluctantly added the two final articles of what became the House's bill of impeachment, hoping they would become the basis for a trial on what he considered the real "high crimes and misdemeanors" for which Johnson should be impeached. Even with these included, he was far from convinced that such would really occur, and warned that the impeachment process would fail, leaving in its wake a political disaster for himself and his allies.

On the eve of Johnson's trial before the Senate, Stevens wrote to Rep. Benjamin Butler: "As the Committee are likely to present no articles having any real vigor in them, I submit to you if it is not worth our while to attempt to add at least two other articles. With all this struggle of years in Washington, and the fearful sacrifice of life and treasure, [if we fail] I see little hope for the Republic."

After Johnson's acquittal, Stevens reintroduced his pro-

posed indictment, in an attempt to salvage the situation. But by this point, the process was irreversible, with the deals in the Senate having been made, and those members of the House who had supported impeachment being so demoralized that another effort seemed futile. Before the new resolution could be considered, the House adjourned, killing once and for all any effort to try Johnson on grounds for which he truly deserved conviction. As a result, what was created was a pathetic exercise in what appeared to be political vindictiveness, rather than constitutional principle.

Johnson was thoroughly discredited, yet he remained President. Most importantly, McCulloch remained secretary of the treasury, with his position actually strengthened. Wade was prevented from succeeding to the presidency, and the deals which most certainly had been made before the trial began, were consummated. They would not be unimportant for future developments in Congress.

In return for Johnson's agreement to cease his objectionable and illegal behavior in regard to the Reconstruction Acts and other measures dealing with the South passed by Congress, for example, the key votes against impeachment were garnered in the Senate. However, Senator Grimes, a key free trader in the Senate, who engineered the compromise, would also elicit an agreement from such key senators as Ross, Pomeroy Fowler, and Fessenden, that their votes would be cast in the future for anti-tariff, pro-free-trade economic measures. The deal with Johnson included an agreement that, in return for his acquittal, he would retain McCulloch.

The issues of real political importance, those raised by Carey and his allies, became obscured in this battle which trivialized the fundamental disputes between Congress and the President, and between the two factions of the Republican congressional majority. The only ones to benefit from the affair were the advocates of the British political, economic, and social doctrine, who would soon overwhelm the nation. The "bloody shirt" would become redder, and would soon be waved with as much vengeance against those who dared to advocate American System measures, as against the enemies of American republicanism in the defeated South.

This would become clearer when, in his last Presidential Message, Johnson, totally reversing himself, would call for economic measures more extreme than even the "Pendleton Plan" of the western Democracy. Johnson by this point was as dead politically as one could possibly be, having been unceremoniously spurned for the nomination for President in his own right by even the Democratic Party.

In conjunction with the erosion of the congressional leadership of the pro-Carey faction, with the defeat of Wade, the death of Stevens in 1868, and the destruction of a real Southern Republican Party, these pressures were to prove too great for the "middle ground" of the party to withstand. They thus opted for compromise, both on Southern Reconstruction and on national economic issues. The result was disastrous for the nation.