

AMERICA'S BATTLE WITH BRITAIN, 1860-1876

The Civil War and The American System

by W. Allen Salisbury

From the Editors: *We celebrate this year the 25th anniversary of the publication of Allen Salisbury's book, whose title appears above. One of the jewels of the LaRouche movement, this book uncovered the long-suppressed history of the battle between the American System of political-economy, associated with the protectionist and pro-labor economics of Abraham Lincoln and Henry Carey; and the British System of free trade, the shared doctrine of both the Southern slaveholders and the New York and New England financier oligarchy.*

Much has changed since Salisbury's book first appeared in 1978, but the fundamental issue of economic policy that he raises, is as vital now as it was then—and as it was in 1861. With the collapse of the Soviet Union in 1991, the politics of Cold War was replaced with a new era of "globalization"—free trade run rampant. The global physical economic breakdown which followed the 1971 collapse of the Bretton Woods System has proceeded apace, as Lyndon LaRouche forecast it would. Yet, the free traders have found new and ever-more-insane ways of looting a bankrupt global economy, by creating a speculative bubble of an enormity that the world has never seen before. They have concocted financial derivatives, currency warfare against developing nations, and an unprecedented rise in American consumer debt, among other means to maintain their doomed system for another week, or another month. Since Sept. 11, 2001, new schisms have arisen in the Anglo-American oligarchy, in which some—including in Britain itself—have distanced themselves from the most rabid advocates of a global imperium. And, most importantly, the LaRouche movement has matured to become a highly potent force internationally, finding new collaborators every day in

the fight for the American System.

Allen Salisbury, who suffered an untimely death in 1992 at the age of 43, and was a prime mover behind LaRouche's initiative for a Revolutionary Youth Movement in the early 1970s, would have been particularly joyful to see the rapid growth of the LaRouche Youth Movement over the past three years. It is mainly with those youth in mind, that we reprint here Allen's introduction to his book (in the first of two installments). The true story of American history told here is utterly unknown to victims of an American university education, who are instead fed lies about how "Lincoln was a racist," and "Adam Smith was the greatest economist in history." The book itself includes seminal writings of the American System thinkers of the 19th Century—including Henry Carey's stunning argument that slavery could have been abolished, and the Civil War prevented, had the protectionist policy of Alexander Hamilton prevailed.

Naturally, in 25 years, additional research, within and outside the LaRouche movement, has cast new light on some of the dramatis personae herein discussed. In some few particulars, the author, had he lived, might have revised his analysis. But the overwhelming truth and power of his argument remains, as an invaluable weapon in the war to defeat the British System.

It would be slightly simplified, but essentially correct to say that there never was such a thing as a Civil War in the United States. The War Between the States that ravaged this country between 1861 and 1865 was the second military phase of the political battle which raged between Britain and the United



President Abraham Lincoln and his economic adviser Henry Carey waged the struggle for industrial development begun by the Founding Fathers, against the fundamentally anticapitalist policies of the free traders. Here, a model of a statue commemorating Lincoln and his son Tad's visit to the Confederacy's capital of Richmond at the end of the Civil War, in April 1865. The statue will be dedicated on April 5, 2003 in Richmond.

States from the time a formal ceasefire was concluded at Yorktown in 1781.

While it is widely acknowledged that the British oligarchy supported the Confederacy until its defeat appeared inevitable, modern historians have covered over the more fundamental relationship between the slavocracy and Great Britain. Britain, in its desire to replace the American System of industrial progress with the British System of Malthusian poverty and looting, created the Confederacy. Like the Tories during the Revolutionary War, the Confederates were either the conscious or duped agents of the British monarchy, sworn to destroy the American nation.

During the Revolutionary War period, the battle lines were clear: industrialization and expansion, or agrarianism and looting; a national government committed to the principles of technological progress, or subservience to the British crown. Except for the period of open hostilities during the War of 1812, however, British subversion in the period after the Revolutionary War usually cloaked itself in superpatriotic garb. It requires close inspection to rip the American nationalist costume off the likes of Andrew Jackson and Albert Gallatin, but the invariant activity of these exemplary Tories, among others, was to turn over the financial reins of the nation to the British Empire.

It was British financial intervention, exercised through such agents, that subverted the implementation of a national development program as it had been put forward under George Washington and Alexander Hamilton. The resulting

re-creation of the slave, cotton-growing South, then in alliance with certain New York and New England banking houses, served as an economic, political, and eventually military base for Britain's war against America.

To defeat this gameplan required the remobilization of the nation's workers, industrialists, and technology-proud farmers around the program that founded America. Henry Clay, John Quincy Adams, and Mathew Carey laid the groundwork, but the specific targeting of the treasonous British System, and the organization of the political party that could rout it were left to economist Henry Carey and the Republican Party of Abraham Lincoln.

The Republican Party of Lincoln was responsible for building the labor-industry alliance which won the war. That party's program has a surprisingly familiar ring to those fighting against the stagnation of the American and world economy under the British System today. Its key features were credits for rapid industrialization and realization of new technologies, debt moratoria on certain holdings that were crippling production, and measures to politically sever the U.S. credit generating mechanisms from British control.

It was not only the Democratic Party of Van Buren and Buchanan that Lincoln and his followers had to destroy. Their success depended on a constant battle against insidious agents inside the Republican Party as well—in some cases, agents who professed their loyalty to the Republican platform of industrial growth and protectionism, only to win their way into policymaking positions where they could sabotage Re-

publican policies. The problem is similar to that experienced by Americans today: how to reorient politics around the basic scientific principles of economic growth and thus weed out the slogan-mongers before the damage is done.

The party of Lincoln succeeded in launching the United States of America as the greatest industrial power on earth—but the British were not brought to the ground. Through assassinations, divide-and-conquer tactics, and, most importantly, the deceptive offer of an “Anglo-American Imperial Alliance,” the British oligarchs re-established an ever-tightening stranglehold over the U.S. economy and political system. Americans’ perception of their national interest was again viciously distorted and the war against the British System of austerity, deindustrialization, and mutually destructive class warfare conveniently forgotten. In this, American historians have played not the least significant role.

The Whig policies of Henry Carey and the Lincoln Administration live on in the largely un-self-conscious activities of millions of American workers, farmers, and industrialists today. Now, before the British succeed in manipulating the United States into economic or thermonuclear death, these policies must become a weapon for the re-establishment of the American System worldwide.

Reintroducing Henry Charles Carey, Whig Economist

Henry C. Carey, largely written out of or deliberately deemphasized in today’s “revisionist” history books, is to be credited, perhaps more than any other single individual, with pursuing the policies which kept alive the Founding Fathers’ program for industrial-capitalist republicanism known as the *American System*. From the late 1840s until his death in 1879, Carey organized for Hamilton and Franklin’s dirigist system of political economy among the nation’s political leaders, industrialists, bankers, farmers, and skilled workers. Carey’s leadership in this effort, especially as exercised through Lincoln’s Treasury Department, enabled much of the nineteenth-century technological development of this nation to take place.

In the process, Carey and his co-thinkers prevented a British attempt to divide and conquer the United States.

A reading of his major works establishes that Carey, like the Founding Fathers, saw his own republican capitalist outlook as the continuation of the humanist struggles of the Hohenstaufen Emperor Frederick II, of the England of John Milton, and of the France of Jean-Baptiste Colbert.

Even competent Civil War historians (e.g., Robert P. Sharkey, *Money Class and Party*, 1959) conceptually block in their treatment of both Carey and the Civil War period. First, they refuse to recognize the line of development that links the outlook of the Founding Fathers with that of the Whigs—Henry Clay, Henry Carey, and Abraham Lincoln—and leads to the founding of the Republican Party. Second, they refuse to treat the Andrew Jackson Administration as the



Author Allen Salisbury (1949-92), who discovered the long-suppressed work of Henry C. Carey and his collaborators.

treasonous outfit it was, especially with regard to Jackson’s violation of the intent of the U.S. Constitution when he dismantled Nicholas Biddle’s National Bank in 1833.

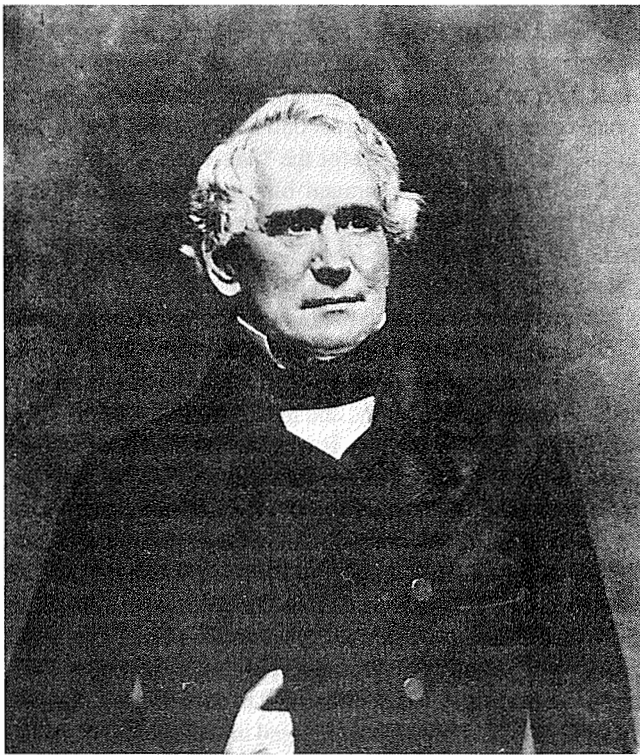
What is clear from a reading of Hamilton’s *Report on a National Bank*, which he delivered to the Congress in December of 1790, is that the Founding Fathers’ primary concern was to wed the new nation more closely to the production and promotion of useful manufactures, to the achievement of high rates of industrial growth and technological development, and to the discouragement of usurious banking practices, particularly those practiced by England. The Founding Fathers, following a dirigist policy of centralized national planning, intended the National Bank to so order the investment policies of the nation as to ensure that the production of real value (manufactures, internal improvements, inventions, and so forth) consistently outpaced mere interest on money or monetarist debt.

The Founding Fathers were guided by a labor theory of value, a theory commonly attributed to Karl Marx, but developed years earlier by Alexander Hamilton, particularly in his 1791 *Report on the Subject of Manufactures* to the Congress.

What is the labor theory of value?

From the time that man emerged from the baboon-like existence of the Pleistocene epoch, his activity has been characterized by willful innovations in the modes of producing his means of existence—innovations which have, at the same time, increased his population and the amount of energy available to and consumed by society.

Advances in human society are not the outcome of some biological or genetic variation (in the same way that some people glorify the continued adaptability of the ordinary house-roach to changing environmental circumstances). All great advances of humanity have been due to the intervention of humanists who have understood, along with Plato and his Neoplatonic successors, that man has the creative qualities to deliberately master the laws of nature and effect his own evolution.



Henry Carey, who is ignored in today's history books, "is to be credited, perhaps more than any other single individual, with pursuing the policies which kept alive the Founding Fathers' program for industrial-capitalist republicanism known as the American System."

For such Neoplatonic humanists, the material basis for solving all the problems of human existence must be located in technological and cultural *progress*. There must be an increasing number of human beings available and trained to work on those problems, and each individual's power over nature (his or her "productivity" as defined by assimilation of new, more efficient scientific-technological discoveries) must be increasing. And this progress must be unceasing. Every time a technological advance brings human society to a new mode of production, that mode defines certain aspects of man-altered nature as relatively finite. This does not imply that there are any natural limits to progress. Rather, what appear to be finite limits in one productive mode compel man to make the breakthroughs which will bring him to the next, more advanced mode, thus redefining the domain of natural resources in a qualitative way.

The need and capacity of man to create and assimilate such new discoveries in his day-to-day practice is what the humanist Alexander Hamilton meant by "the productive powers of labor." It is what the Whig economist and humanist Henry C. Carey, in further developing Hamilton's work, meant by the "quality of labor." It is what the great American literary figure and defender of Neoplatonic epistemology, Edgar Allan Poe, termed the "quality of genius." It is what Karl

Marx termed "labor power." And it is most emphatically what President Abraham Lincoln meant when he described himself as a follower of the "doctrine of necessity."

This quality of labor was first treated in detail by Alexander Hamilton in his *Report on the Subject of Manufactures* as being the sole source of value or wealth creation in a capitalist economy. Both Hamilton's *Report on the Subject of Manufactures* and his *Report on a National Bank* were key to the elaboration of an official U.S. government policy that was in opposition to the British colonial policy of primitive accumulation and enforced cultural backwardness.

Thus, the cornerstone of the humanist economic policy of the Founding Fathers—the policy which became known as the American System during the nineteenth century—was state direction of the nation's monetary and credit apparatus through a National Bank. The bank would ensure that the nation's currency and lending institutions acted as an aid to the productive process by issuing credit for industrialization, the fostering of scientific research, and the prevention of usury or at least the subordination of usurious practices to the process of production. Another included feature was government-financed internal improvements, which had the effect of ordering the investments of private individuals and companies into new manufactures, technological innovations in agriculture, and other, socially useful investments. A third policy associated with the American System was protective tariffs to prevent the British from wholesale dumping of their goods—as well as their debts—on the country in an effort to "strangle" American manufactures "in the cradle," as the British "liberal" David Hume put it.

In other words, the aim of the Founding Fathers was to effectively safeguard the nation that had just emerged from a successful revolution against British raw materials looting practices which would have meant the effective recolonization of the United States. At the same time, the Founding Fathers sought to foster the development of the United States until the nation became powerful enough to free the rest of the world from the British System.

From this point of reference, Andrew Jackson's decision to withdraw government deposits from the National Bank was unquestionably an act of treason. The decision left the U.S. at the mercy of the credit policies of the Rothschild and Baring banking houses, and made the Baring-dominated Associated Banks of New York and New England (the major financiers of Southern cotton exports) the most powerful group of bankers in the nation.

More importantly, Jackson's actions gave direct support to the theory of "free trade"—an ideology synthetically created by British Royal Society agents like Parson Malthus, Adam Smith, David Ricardo, and John Stuart Mill for the express purpose of *subverting* America's commitment to dirigism. This is the same subversive free trade ideology of "Cotton Is King" (see below), the outlook for which the South made its insurrection and against which Lincoln and

his Whig allies fought.

Historians of the Sharkey school nobly, but incorrectly conclude that the Civil War was primarily a contest between finance and industrial capital, with Henry Carey as the latter's chief spokesman. Rather, Lincoln and Carey must be seen as continuing the struggle for industrial development begun by the Founding Fathers against the fundamentally anticapitalist policies of the monetarists of Great Britain and their agents in this country.

This view has immediate implications for today: it leads to the conclusion that the current financial policy of the United States, which was and is formulated largely by the British-based investment houses and their affiliated think tanks like the Brookings Institution, are, in fact, alien to the principles on which the United States was founded. Adherents to this British policy are today exerting a control over the nation's institutions and policies that is treasonous.

Carey's Roots

Henry Carey's background is rooted in republican humanist traditions. His father, Mathew Carey, was an Irish republican revolutionary strongly influenced by circles who were, in turn, influenced by Jonathan Swift. Mathew Carey's early Irish nationalism is humanist in the same sense as Franklin or Hamilton's American nationalism.

Mathew Carey was kicked out of Ireland for "defaming the British" when he resurrected Swift's *Modest Proposal for the Universal Use of Irish Manufactures*. He then made his way to France where he worked with Benjamin Franklin and the French General Lafayette. From France, Carey began printing and distributing Franklin's *Notes from America* to leading humanist circles throughout Europe, to keep them informed of the progress of the American Revolution. He later returned to Ireland to start a republican newspaper with the funds advanced for the purpose by Franklin and Lafayette.

Franklin, Lafayette, and Carey, too, were conspirators in a joint America-"League of Armed Neutrality" war against Britain of which the successful American Revolution was a part. The league of European continental powers stretching from Spain and France in the west to Russia in the east provided the decisive strategic element of humanist-organized monarchies to enable that battle against Britain to succeed. The plans did not end there; the league intended an invasion of Britain itself to bring an end to more than a century of British-based monetarist financial rule over Europe. To this end, Lafayette sought and received from the young Mathew Carey a detailed assessment of the possibility of establishing a republican state in Ireland. Ireland, at the time, was a probable launch point for an invasion force against Britain to be headed by Lafayette.

The plan became unworkable with the outbreak of the so-called French Revolution, which also nearly prevented the consolidation of the gains of the American Revolution in the form of the present Constitution.

Upon his arrival in the U.S., Carey quickly became an ardent supporter of Alexander Hamilton; he continued his collaboration with Franklin until the latter's death. Contemporary opinion placed Carey second only to Hamilton as the nation's leading protagonist for the "American System." His work with Franklin encouraged him to found the nation's first book publishing company following their successful U.S. publication of Condorcet's *Historical Sketch for the Progress of the Human Mind*.

Mathew Carey adopted the humanist organizing method of Franklin. As Franklin reports in his *Autobiography*, the Junto, a secret organization, agitated for continual improvements, the first fire company, and the first network of printing establishments in the nation. It was this model that was followed by Carey and the Philadelphia Association for the Promotion of National Industry to effect such improvements as the construction of the first railroad in Pennsylvania. For this reason, Edgar Allan Poe once said of his publisher Mathew Carey that he reminded one of Ben Franklin.

Around Mathew Carey's Philadelphia circle developed the second generation of American political economists. The American humanist was not disposed to adopting a professorial chair of economics. They plunged into the study of political economy out of necessity, as a deluge of classical British economics and economists threatened to stop development of the U.S. along the lines first elaborated by Franklin and adopted by the first U.S. Congress when it decided in favor of the celebrated reports of Alexander Hamilton.

After the assassination of Hamilton by Aaron Burr in 1804, major responsibility for keeping alive the American System program fell to this group of secondary leaders, which included as its chief spokesmen the Whig leaders John Q. Adams, Henry Clay, and John Calhoun (early in his career) and the members of Mathew Carey's Philadelphia circle, most notably such forgotten figures as Baltimore's Daniel Raymond, Hezekiah Niles, and the brilliant German leader Friedrich List.

As Mathew Carey documents his own contributions in his *Autobiography*, he vigorously pursued the policies put forward in Hamilton's report. In fact, he was a director for two terms of the Pennsylvania subdivision of the National Bank. Among other contributions was his defense of Joseph Priestley, the English chemist who collaborated closely with Franklin.

Priestley was forcibly exiled from England and had come under attack from William Cobbett. Cobbett was the chief U.S. publicist for the antihumanist circles around Jeremy Bentham and Parson Malthus in England. Cobbett's primary role was to conduct what today would be known as a Water-gating operation against leading U.S. Hamiltonians. The ensuing newspaper war between Carey and Cobbett eventually led to the dissolution of Cobbett's Pennsylvania newspaper, the *Peter Porcupine Gazette*, and his departure to England.

It was only with the defeat of the "League of Armed Neu-

trality,” sealed by the 1815 Treaty of Vienna, that Britain was again freed to continue open hostilities against the United States. In the eighteenth century, France was Europe’s leading industrial power and the leading national power in the league. Objectively, Britain could not defeat France in a war, so Britain manipulated France to defeat itself. Using Swiss and French agents under London’s direction, Britain wrecked French credit, mobilized the “sansculotte” slum population of Paris, and then set in motion the Jacobin Terror to abort any French humanist attempt at reproducing the American Revolution in Europe. By 1814, continental Europe was reduced to war ruin and the young American nation had fought another war against Britain—the War of 1812. The unfavorable aftermath of that war and continued trade war by the British against American commerce and industry was creating havoc within the United States.

The treaty that concluded the War of 1812 had given the New York merchants junior-partner status in the East India Company. Britain sought to “legalize” its trade war with the United States by having the U.S. drop its dirigist policy in favor of “free trade.”

Albert Gallatin, the Secretary of the Treasury under both President Madison and President Jefferson, was Britain’s “agent-in-place” for this subversion attempt. The Treasury’s London office under Gallatin was used as a training center for agents to influence U.S. economic policy toward free trade. There, Gallatin’s staff met with both Jeremy Bentham and David Ricardo, who instructed them not to have Hamilton’s dirigist system taught in the schools and colleges of the United States. Bentham even offered to Gallatin his services to rewrite the U.S. Constitution—an offer Gallatin relayed to Jefferson, Madison, and the U.S. Congress.

It was Gallatin who sought to manipulate President Jefferson over the question of the Louisiana Purchase. Jefferson was properly concerned that the United States should expand its territory across the Mississippi River to the Rocky Mountains—from the Gulf of Mexico to Canada—to prevent occupation by hostile governments allied with the British. The actual policy debate over the Louisiana Purchase, however, occurred over whether the territories were to be developed *before* they were admitted as states in the union. Gallatin pushed a program of “free” plots of land, while the leading Federalists and Whigs insisted that the lands should be settled by men with enough capital to invest in manufactures and agricultural improvements. With the experience of the French Revolution fresh in mind, they had no intention of creating a state run by beggars and speculators.

As part of Britain’s subversion, Adam Smith’s *The Wealth of Nations* was taken off the dusty bookshelves and made popular throughout the country. *The Wealth of Nations* first appeared in this country during the first year of the Revolutionary War. During the period after 1815, it was revived especially by the shipping interests of New England and New York, and by the slave states of the deep South.

It was also during this period that Mathew Carey and other supporters of Hamilton sought out and wrote their own textbooks on political economy to refute the works of Smith and, later, Malthus and Ricardo.

With the publication of his *Olive Branch*, Mathew Carey opened a campaign throughout the country for a continued national commitment to Hamilton’s economic policy. He immediately took up the study of political economy which, as he states in his *Autobiography*, he had not paid any attention to before reading *The Wealth of Nations*. His first work took on Adam Smith’s proposals to return the United States back to a colonial relationship with Great Britain. In this respect, *The Wealth of Nations* was British political intelligence propaganda. Of course, Smith paid due respect to the home market and its industries, but, as Carey states correctly, the whole proposal was a sham which he and Henry Clay’s close associates Daniel Raymond and Friedrich List proceeded to expose.

To Mathew Carey, the foundation of Smith’s proposal to establish “freedom of trade” was accompanied with “assurances” that the wiped-out American manufacturers and mechanics could find employment in “collateral manufactures,” especially agriculture.

These positions, absurd, futile, and untenable as they are, form the basis of the *Wealth of Nations*. To a person wholly unbiased by prejudice, it must be a matter of astonishment how a work, resting on such sandy and miserable foundation, could have obtained, and still more, have so long preserved, its celebrity. The monstrous absurdity of these doctrines and the facility with which they might be refuted, induced me to enter the lists against this Goliath with the sling and stone of truth.

Mathew Carey, Henry Clay, and others revived Hamilton’s Society for the Promotion of Useful Manufactures. The new Philadelphia Association for the Promotion of National Industry included manufacturers, as well as agriculturists, scientists, and skilled mechanics. As part of their work, Mathew Carey republished several times Hamilton’s *Report on the Subject of Manufactures*. In his prefaces to those editions, Carey correctly noted that Hamilton had already refuted all that Smith had to say and, in fact, Hamilton’s report subsumed the work of the great seventeenth-century French Finance Minister Colbert.

The impact of the association in at least sustaining Hamilton’s system as the policy intention of the nation is evident in this letter from President Madison to Mathew Carey.

I have read the pamphlet on our commercial policy, which is another proof of your disinterested zeal on an important subject. You have placed in a strong light the evils necessarily resulting from the excess of our importations over our exports and the necessity for re-

storing an equilibrium. I have read your essays as well as the report of Hamilton . . . and I must confess that I see no possibility of resisting the facts, principles and arguments they contain. What adds to their weight too with me is that, as you remark, we cannot be worsted by the experiment, as far as economical expediency goes. . . .

The remarks by the Senator from Pennsylvania, Andrew Stewart, during the 1827 debates on tariff legislation also evidence the impact of the association.

The gentleman from New York has called this a "New England Bill," and, from principles of patriotism, he says he is opposed to it. "It is immaterial," he says, "to us, whether we get our cloth from Manchester or Boston." This may suit the patriotism of the representative of a city where it is said that three-fourths of the woolen business is in the hands of British merchants, and British manufacturers; but Mr. S. took his principles from another school. For he had been told in the course of the debate by a gentleman from South Carolina that there are two schools of political economy—one headed by Adam Smith, and the other by Mathew Carey—a British and an American school, and we are warned by that gentleman against giving up the sound doctrines of Smith, for what he is pleased to call the "Statistical Nonsense of Mathew Carey." Now Sir, although the views of Adam Smith and other British writers may suit the purposes of the gentlemen from New York and South Carolina, yet they must give me leave to say that I would not give one page of the "Statistical Nonsense of Mathew Carey" on this subject for all the theories of Adam Smith, and their long and learned speeches into the bargain. . . .

One of the more important figures engaged in the fight for the American System was the German republican Friedrich List. List was brought to America and introduced to the Pennsylvania circle by Lafayette in 1824. List was already familiar with the works of Daniel Raymond, Henry Clay, Alexander Hamilton, Mathew Carey, and others principally through Carey's earlier extensive collaboration with the German educator Christopher Daniel Eberling. To combat propaganda from Britain that was defaming America as a land of savages, Eberling requested and got a steady stream of reports on the latest developments in internal improvements, books, and samples of every leading newspaper in the young nation. What Eberling faced was an international campaign on the part of Great Britain to prevent the model American republic from being exported.

Professor List himself played a leading role in exporting significant portions of the American System when he established the *Zoll-Verein* or German customs union upon his

return to Germany in 1832. What List accomplished in part was the elimination of the customs duties between the various Germanic states. In its place, a national German customs policy was enacted, following the example of the United States. As Henry Carey later noted in his review of List's book, *The National System of Political Economy*, it was this accomplishment that enabled Germany to become a nation.

List, like Mathew Carey and Daniel Raymond, had nothing but contempt for Adam Smith. List even postulated that Adam Smith, while on his deathbed, had all his personal papers burned so that the world would never know his evil.

List's book *The National System of Political Economy* was written following his return to Germany, but was begun while List was in the United States working with the Philadelphia Association between 1825 and 1832. He was commissioned by Mathew Carey and Charles Ingersoll, the association's treasurer, to write a series of open letters attacking Adam Smith and free trade, and explicating the principles of the American System of political economy.

List did write a series of twelve open letters in which he proposed, among other things, that the U.S. save the Latin American countries from having to repeat the U.S. experience of carving a nation out of wilderness by exporting U.S. technological know-how to Latin America.

List's proposals on that account became a permanent feature of Whig foreign policy. His book was to be used by the association to counter what had become the hegemonic works of the British economists in the nation's colleges.

The programs enunciated by List and others remained the policy commitment of the nation until Andrew Jackson entered the White House in 1829. The factions led by Henry Clay then formed the Whig Party in opposition to Jackson. The vigorous fight in behalf of the American System, led by Clay in the Congress, prevented Jackson from doing much damage until he was re-elected for a second term. After Jackson vetoed the charter of and withdrew federal money from the National Bank, the southern cotton planters forced Clay behind the Compromise Tariff of 1833. They threatened secession if U.S. tariffs against Great Britain were not ended. In fact, it was Great Britain's Prime Minister Lord Palmerston's policy in the early 1830s to get the United States to adopt the free trade policy in order to prevent the expense of another costly war.

The measures taken by Jackson, who was still publicly expressing his support for the American System, led to the depression of 1837. The bank's destruction handed large sections of the South to the nullifiers (or secessionists) because otherwise enlightened southerners were unable to obtain the needed credits to diversify out of cotton, tobacco, and other raw materials into industry. The institution of slavery, which had begun to die out, spread as the British were given a free hand to demand southern debt service payments to New York banks and eventually to the bottomless coffers of the Rothschild and Baring banking houses.

Martin Van Buren's election to the presidency and Rothschild agent August Belmont's later election to the leadership of the Democratic Party solidified the Rothschilds' control over the U.S. Democratic Party.

The abolitionist movement, which began attaching itself to the Whig Party, was also coming under Great Britain's direction. Consider the fact that Harriet Beecher Stowe's patron, Arthur Tappan, and William Lloyd Garrison were both on the Board of Directors of Albert Gallatin's Baring-connected bank. These abolitionists lobbied for the North's secession from the Union. So, it is by no means accidental that both the southern "slavocracy" and the northern abolitionist movement were British free traders in economic as well as social philosophy.

The actions of both were coordinated from the top by the London-based Cobden Clubs. This organization had on its Board of Directors the leading members of the House of Rothschild, and Thomas Baring. John Stuart Mill, son of the detestable John Mill, was their chief political economist.

U.S. membership included such so-called liberals as the Boston cotton merchant Edward Atkinson, the leading abolitionist William Lloyd Garrison, as well as the top theorists for the southern slavocracy.

It was primarily the abolitionists, together with the William Seward-Thurlow Weed New York faction of the Whig Party, that prevented Clay or any other Whig leader of his calibre from winning the presidency. They forced compromise after compromise on the issue of the extension of slavery, all in the name of "states rights."

The Founding Fathers of this country had fully intended the slave trade and slavery to be stopped at the earliest possible date. The first draft of the Declaration of Independence, written by Thomas Jefferson with the aid of Benjamin Franklin, reads in part:

He [the king—A.S.] has waged cruel war against human nature itself, violating its most sacred right of life and liberty, in the persons of a distant people, who never offended him, captivating and carrying them into slavery in another hemisphere, or to incur a miserable death in their transportation thither. This piratical warfare, the opprobrium of infidel powers, is the warfare of the Christian king of Great Britain. Determined to keep open a market where Men should be bought and sold, he has prostituted his negative for suppressing every legislative attempt to prohibit or to restrain this execrable commerce. And that this assemblage of horrors might want no fact of distinguished dye, he is now exciting those very people to rise in arms against us, and to purchase that liberty of which he has deprived them by murdering the people upon whom he also obtruded them—thus paying off former crimes committed against the liberties of one people with crimes which he urges them to commit against the lives of another.

This draft of the Declaration of Independence was not adopted out of deference to South Carolina and Georgia in order to gain their support in the prosecution of the Revolutionary War and the later signing of the U.S. Constitution. However, it was understood that both the slave trade and slavery would be halted as soon as practicable.

Henry C. Carey and Karl Marx vs. The Manchester School

In an essay published in the early 1960s, Arthur Schlesinger, like other British-tinged historians, recognized the significance of Karl Marx's assessment of Henry Carey as the "most important of the American economists."

After making that statement and dutifully identifying Carey's humanist commitment as the reason for Marx's positive assessment, Schlesinger asserts that "after all, Carey was much closer to the classical economists [Mill and Ricardo—A.S.] than he was to Marx."

The fact that Schlesinger could get away with publishing such nonsense and receive a Pulitzer Prize for his glorification of Andrew Jackson's Administration without a cry of moral indignation from the American population, suffices as evidence of the utter ignorance in which most Americans have been kept regarding their own history.

In actual political practice, it was Henry Carey who sought to demonstrate to Marx the differences between the American System and the British System of the classical economists for whom they both shared a mutual hatred.

Such falsified historiography on the part of Schlesinger represents the on-going British-centered intelligence warfare against both the Soviet Union and the United States.

The populations of the United States and the Soviet Union share a common commitment to industrial and technological progress. The Soviet Union's population associates such a commitment with the name of Karl Marx and its realization in the government's five-year plans. In the United States, Henry Carey and other supporters of the American System left this country a legacy which the average citizen associates with the "idea of progress."

On that account and especially after Lenin's successful 1917 revolution, British intelligence networks within both the U.S. and Soviet Union found it necessary to exploit both real and imagined differences in order to prevent the leadership of the two countries from making their shared humanist commitment the basis for international policy agreements and ventures—typified by the military collaboration between the U.S. and U.S.S.R. during World War II and by current efforts at scientific collaboration.

It is by no means accidental that Arthur Schlesinger, as a member of President Kennedy's National Security Council, was in part responsible for enhancing the credibility of British agents inside the Soviet Union associated with Georgii Arbatov and his U.S.A.-Canada Institute. That Soviet institute controls the archives of Karl Marx and, in early 1977, reprinted

in its *U.S.A.* magazine an error by Karl Marx regarding the Whig economist Henry Carey as evidence that Marx regarded Carey as a “bourgeois vulgar economist.” That same epithet is repeated in most Moscow editions of the works of Karl Marx.

In truth, the term “vulgar” was used by Marx to characterize John Stuart Mill, the hated enemy of both Marx and Carey. Mill, a contemporary of Marx and Carey, was the chief economist of the Cobden Clubs, and thus published and organized in behalf of the House of Rothschild and the Baring Brothers’ banking interests.

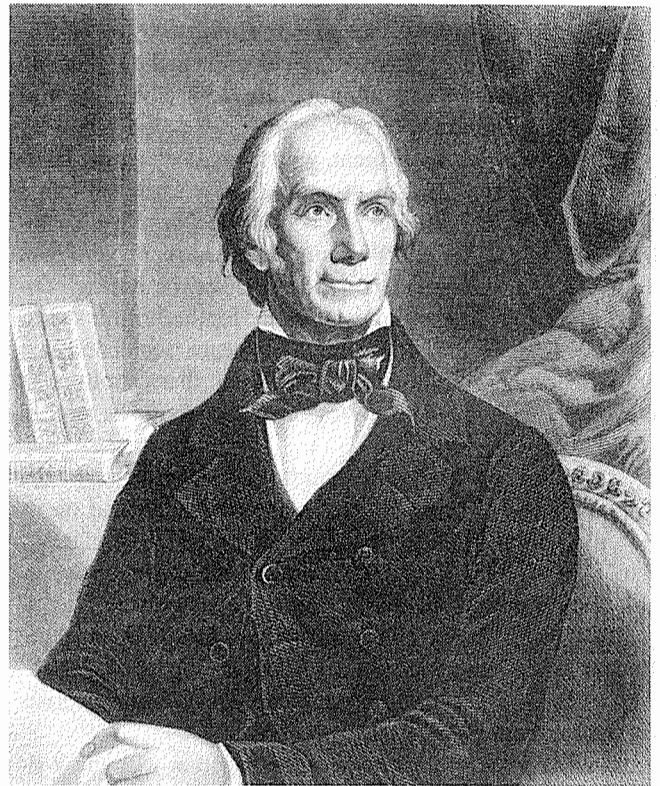
What is it that Marx actually had to say about Carey?

That bourgeois society in the United States has not yet developed far enough to make the class struggle obvious and comprehensible is most strikingly proved by H.C. Carey, the only American economist of importance. He attacks Ricardo, the most classical representative of the bourgeoisie and the most stoical adversary of the proletariat, as a man whose works are an arsenal for anarchists, socialists, and all the enemies of bourgeois society. He accuses not only him, but Malthus, Mill, Say, Torrens, Wakefield, McCulloch, Senior, Wakeley, R. Jones, etc., in short the economic masterminds of Europe, of tearing society apart and paving the way for civil war by their proof that the economic basis of the different classes must give rise to a necessary and ever-growing antagonism between them.

What is true is that Marx was almost totally ignorant of the humanist struggle of the eighteenth century which culminated in the American Revolution. Thus, he was unable, often to the point of ridiculous stubbornness, to recognize the difference between the American System and the British System, and took the latter to be the model for modern industrial capitalism.

Carey, on the other hand, in his first attempt at political economy, his 1840 *Principles of Political Economy*, thoroughly debunked Ricardo’s theory of rent by showing it to be both factually and historically absurd. Carey demonstrates how yesterday’s values are depreciated by today’s advances in technology by focusing on the effects of technological progress in an economy on the determination of value. For this, Friedrich Engels credits him with being the first to state that the value of a commodity is its necessary cost of social reproduction and not its accounting cost. Carey, also in this context, defined the combined quantity and quality (or productive power) of labor to be the sole determinant of economic value in a capitalist economy.

Carey’s book dealt a blow to the political-economic theory that was at that time reigning hegemonic. But Carey had not yet come around to the superior wisdom of his father, Mathew, and Alexander Hamilton that tariff barriers were needed to prevent the destruction of U.S. industry by Great Britain. He also accepted what was “positive” in Adam



The factions led by Henry Clay formed the Whig Party, which fought for the American System in opposition to President Andrew Jackson. Abraham Lincoln was a dedicated partisan of Clay.

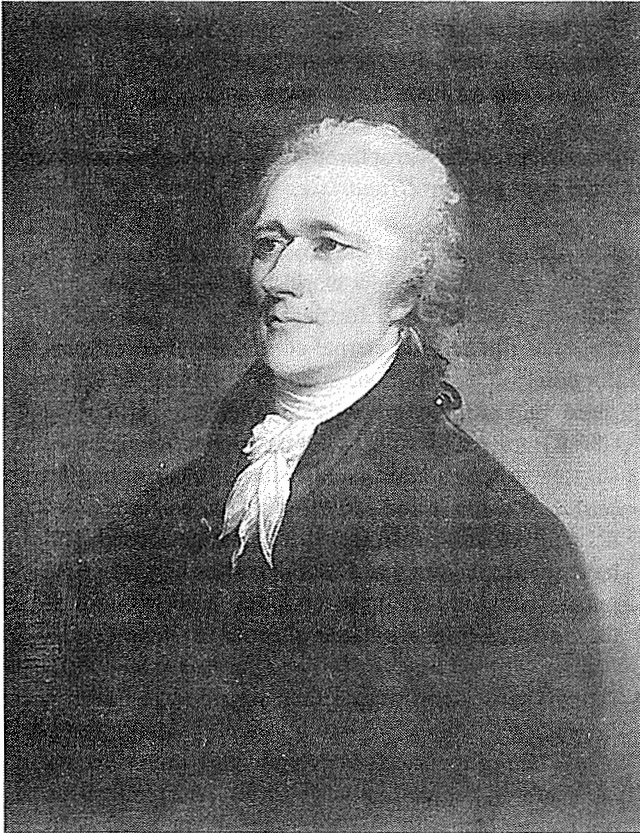
Smith’s *Wealth of Nations* and stubbornly refused to recognize that it was merely bait. The eighteenth-century French economist Pierre Dupont de Nemours has even charged that “everything that is true in this respectable, but tedious work” is to be found in Turgot’s *Reflections on the Formation and Distribution of Wealth*; “everything added by Smith is inaccurate.”

But with the depression of 1848, Carey was to take over from Henry Clay the leadership of those forces committed to the protective policy. This leadership position forced Carey to hone his analysis of British monetarism.

In *The Past, The Present, and The Future* (1848), Carey begins to argue correctly that the entire British economic system was nothing more than an apology for a foreign policy of looting, bent on destroying the industrial capability of the rest of the world.

The Harmony of Interest, written in 1851, is a polemical restatement of his proposal for a labor-industry (or “producing classes”) alliance against the free trade movement in the U.S.

In *Harmony of Interest*, Carey singles out the Ricardo-Malthus school of British economists for the particular attention of his readers. The Malthusian doctrine of overpopulation is false, says Carey, because industrialization and improve-



The sabotage of Alexander Hamilton's dirigist economic program, by agents of the British System, allowed the growth of the "slavocracy," as a base for Britain's war against the United States. Hamilton's ideas were revived, after his death, by Mathew Carey, and later by his son Henry.

ments in agriculture have historically enabled man to increase his population. The Ricardian doctrine of ground rent is equally absurd. Using examples of settlement patterns in Pennsylvania, Carey proves that man does not move from the "best" lands to poorer ones. Rather, there are no "best" lands until they become man-improved by the introduction of agricultural implements, fertilizer, and dredging techniques. As further evidence against the Ricardian doctrine, Carey discusses the work of his German friend and chemist Liebig in the application of fertilizer and crop rotation methods to farmland. In capitalist society, such improvements by man give value to land and justify rent; Ricardo's is the system of a common thief.

Carey then describes the British System:

The impoverishing effects of the system were early obvious, and to the endeavor to account for the increasing difficulty of obtaining food where the whole action of the laws tended to increase the number of consumers of food, and to diminish the number of producers, was due the invention of the Malthusian theory of population,

now half-a-century old. That was followed by the Ricardo doctrine of rent, which accounted for the scarcity of food by asserting, as a fact, that men always commenced the work of cultivation on rich soils, and that as population increased they were obliged to resort to poorer ones, yielding a constantly diminishing return to labor, and producing a constant necessity for separating from each other, if they would obtain a sufficiency of food. Upon this theory is based the whole English politico-economical system.

We thus have here, first, a system that is unsound and unnatural, and second, a theory invented for the purpose of accounting for the poverty and wretchedness which are its necessary results. Overpopulation is the ready excuse for all the evils of a vicious system, and so will it continue to be until that system shall see its end, the time for which is rapidly approaching.

On the Rothschilds' role in the British System. Carey remarks:

Rothschild may be taken as the type of the whole system, and the following notice of him and of his modes of taxing those by whom he was surrounded, furnishes a picture of the speculators of every kind, in England, who live at the cost of the labourers of the world.

The name of Nathan Meyer Rothschild was in the mouths of all city men as a prodigy of success. Cautiously, however, did the capitalist proceed, until he had made a fortune as great as his future reputation. He revived all the arts of an older period. He employed brokers to depress or raise the market for his benefit, and is said in one day to have purchased to the extent of four millions. The name of Rothschild as a contractor for an English loan made its first public appearance in 1819. . . . The Old and the New World alike bore witness to his skill. . . . Minor capitalists, like parasitical plants, clung to him, and were always ready to advance their money in speculations at his bidding. He became the high-priest of the temple of Janus, and the coupons raised by the capitalist for a despotic state were more than a match for the cannon of the revolutionist.

The Slave Trade, Foreign and Domestic, written in 1853, identifies Harriet Beecher Stowe's *Uncle Tom's Cabin* as an important element in a British attempt to balkanize the United States. In it, there are many of Karl Marx's contributions to the *New York Tribune*, including one which exposes the hypocrisy of the British liberal's antislavery movement by showing Stowe's connection to the landed aristocracy of Great Britain, most particularly Lady Sunderland who was financing Stowe and who had just kicked all the peasants off her land to make room for a game preserve. Marx's appellation, "The Lady Sunderland Self-Glorification Society," be-

came "canonized" among Whig circles in the U.S.

Carey's discussion of chattel slavery deals with the effects of British policy worldwide. Entire populations were enslaved, restricted to engaging in primitive agriculture and mineral extraction, and denied participation in technological progress. Carey treats India and how the British East India Company systematically supplanted the positive influence of Mohammedan culture with the introduction of the vicious ideology of Hinduism.

In a letter to Friedrich Engels, discussing *The Slave Trade*, Marx shows his stubbornness on the issue of the American System versus the British System.

Carey, the American national economist, has published a new book, *Slavery At Home and Abroad*. Under "slavery" are here included all forms of servitude, wage slavery, etc. He has sent me his book and has quoted me repeatedly (from the *Trib*). I told you before that in this man's previously published works the harmony of the economic foundations of the bourgeois system was described and all the mischief was attributed to superfluous interference by the state. The state was his bogey. . . . The root of all evil is the centralizing effect of big industry. But this centralizing effect is England's fault because she turns herself into the workshop of the world and forces all other countries back into the rudest agriculture, divorced from manufacture. For the crimes of England the Ricardo-Malthus theory and especially Ricardo's theory of ground rent are in their turn responsible. The necessary consequences alike of Ricardo's theory and of industrial centralization would be Communism. And in order to avoid all this, to oppose centralization by localization and a combination of factories and agriculture all over the country, the final recommendation of our ultra-free trader is—protective tariffs. In order to escape the effects of bourgeois industry, for which he makes England responsible, he resorts like a true Yankee to hastening this development in America itself by artificial means.

. . . The only thing of positive interest in his book is the comparison between the former English Negro slavery in Jamaica and the Negro slavery in the United States. He shows that the main body of Negroes in Jamaica, etc., always consisted of newly imported barbarians, as under English treatment the Negroes were not only unable to maintain their population, but lost two thirds of the number annually imported; the present generation of Negroes in America, on the other hand, is a native product more or less Yankeeised, English-speaking etc., and therefore fit for emancipation.

Your article on Switzerland was of course a direct smack at the leader in the *Tribune* and their Carey. I have continued this hidden warfare in a first article on India in which the destruction of the native industry by

England is described as revolutionary. This will be very shocking to them. For the rest, the whole rule of Britain in India was swinish, and is to this day.

Marx repeats this error throughout *Das Capital* and in the following quote from *Grundrisse*:

It is not surprising that the production relationships in which this immense new world has developed so surprisingly, quickly and fortunately are considered by Carey as the normal, eternal conditions of social production and distribution, contrary to what has taken place in Europe, especially in England—which for Carey is the real Europe where the production relationships have been hindered and disturbed by the inherited obstacles of the feudal period. What more natural from his point of view, than that these relationships should have been caricatured and falsified by the English economists, who have confused the fortuitous distortions of these relationships with their inherent character.

To this view, Marx objects that, according to Carey,

It is a law of nature, for example, that wages should increase with the productivity of labor. So if reality does not correspond with this law, whether in India or in England, we have to make an abstraction of the influence of the state . . . taxes, monopolies, etc. Naturally, Carey does not inquire to what extent these state influences—public debt, taxes, etc.—themselves grow out of bourgeois conditions; thus, in England, for example, they are not at all the result of feudalism, but rather of its dissolution and defeats.

Carey's criticism of the English theory of landed property, wages, population, class contradictions, etc. resolves itself into one thing only—American conditions against English conditions. Bourgeois society does not exist in the pure state in England; it does not there conform to its nature and definition. So why should the ideas of English economists on bourgeois society be the true and untroubled expression of a reality they have never known?

Marx's errors regarding the American Revolution duly noted, Marx as well as his close associates counted among the most potent allies of the nation during the Civil War, which was recognized by President Lincoln in his distinction between the British abolition societies and Marx's International Workingman's Association.

Marx wrote for the *New York Tribune* during that period when, for all intents and purposes, Carey was the financial editor of the paper. Carey's personal friend and collaborator at the *Tribune*, Charles Dana, had added Marx to the *Tribune* staff and requested that Marx begin to write articles on En-

glish domestic and foreign policy. Marx's tenure stretched from the early 1850s through 1860. During that decade, Carey had more or less determined that the survival of the American System largely rested with himself and what became known as his Philadelphia Vespers circle—the center of Whig humanism in the United States.

Although Marx, in his theoretical work, rejected Carey's *Harmony of Interest*, which, in essence, was Carey's proposal for the cooperation of the industrialists, laborers, and farmers under an American System, in point of fact, Marx's actual political practice defended the American System forces against the British free traders and the social reformers and assorted liberals associated with them. Hence, the hatred bestowed on both Marx and Carey by the British liberals which continues to this day. Charles Dana even penned a letter defending Karl Marx from the slanders of British agent Herr Vogt. The letter was published in the first edition of Marx's work *Herr Vogt*.

The Carey-Lincoln Tradition and the Fight for the Republican Party

The dissolution of the Whig Party following the death of Henry Clay in 1852 and the passage of the Kansas-Nebraska Act in 1854, which effectively repealed the Missouri Compromise of 1820 prohibiting slavery in the Louisiana Territory north of Arkansas, sparked what can only be described as a mass strike movement which gave birth to the Republican Party. The first national campaign of the Republican Party in 1856 gave them a majority in the U.S. House of Representatives despite the electoral defeat of their presidential candidate John C. Frémont.

The difficult task which the Whigs, Lincoln and Carey, faced was to establish the hegemony of Whig policy in the new party. Frémont was the candidate of a coalition led by New York's William Seward and the Jacksonian-turned-free-soiler and abolitionist William Cullen Bryant: the British free trade wing of the party. Lincoln was a supporter of Henry Clay and the American System all his political life. Contrary to the populist garbage peddled by the poet Carl Sandburg, Lincoln was the heir of earlier republicans who fought the political battles for the most rapid introduction of internal improvements to civilize the Midwest and West of the United States and against the Jacksonian notion of "rugged individualism." Lincoln detested the proletarianism (in the Roman, not Marxian, sense of the word) in his own Vice-President Andrew Johnson.

The state of American politics at the time made Whig control of the Republican Party a matter of urgency. The Democratic Party was led by Rothschild agent August Belmont, and the South, beginning with the Administration of President Buchanan—a documented embezzler—was preparing for a secession war through appropriation of the nation's military arsenals.

In 1855, the southern planters had prepared their seces-

sionist *raison d'être* in a work that was widely distributed throughout the South, titled *Cotton is King*. Representative William D. Kelley (R-Pa.) concluded the following discussion of the South's free trade policy with a quote from that book.

The opposition to the protective tariff by the South arose from two causes; the first openly avowed at the time, and the second clearly deducible from the policy it pursued; the one to secure the foreign market for its cotton, the other to obtain a bountiful supply of provisions at cheap rates.

... But they could not monopolize the market unless they could obtain a cheap supply of food and clothing for their Negroes, and raise their cotton at such reduced prices as to undersell their rivals. A manufacturing population with its mechanical coadjutors in the midst of the provision growers, on a scale such as the protective policy contemplated it, was conceived would create a permanent market for their products and enhance the price; whereas if this manufacturing could be prevented, and a system of free trade be adopted, the South would constitute the principal provision market of the country, and the fertile lands of the North supply the cheap food demanded for its slaves. . . . By the protective policy, the planters expected to have the cost of both provisions and clothing increased, and their ability to monopolize the foreign markets diminished in a corresponding degree. If they could establish free trade, it would insure the American markets to foreign manufacturers, secure the foreign markets of their leading staples, repress home manufactures, force a large number of northern men into agriculture, multiply the growth and diminish the price of provisions, feed and clothe their slaves at lower rates, produce their cotton for a third or fourth of former prices, rival all other countries in its cultivation, monopolize the trade in the article throughout all of Europe, and build up a commerce that would make us the ruler of the seas.

... As the protective system coupled with the contemplated internal improvements, if successfully accomplished, would inevitably tend to enhance the price of agricultural products, while the free trade, anti-internal improvements policy would as certainly reduce their value, the two systems were long considered so antagonistic that the success of one must mean the death knell of the other. Indeed, so fully was Ohio impressed with the necessity of promoting manufactures that all capital thus employed was for many years entirely exempt from taxation. . . .

"We must prevent the increase of manufactures, force the surplus labor into agriculture, promote the cultivation of our unimproved western lands until provisions are so multiplied and reduced in price that the

slave can be fed so cheaply as to enable us to grow our sugar at three cents a pound. Then without protective duties, we can rival Cuba in the production of that staple and drive her from our markets. . . .”

Southern policy was the very antithesis of the technologically vectored growth demanded by the American System. Both Lincoln and Henry Carey were right when they insisted that slavery not only oppressed and degraded the slave, but degraded the productive and mental power of all American labor. It was precisely on this point that Lincoln distinguished himself as a presidential candidate in his 1858 senatorial contest with Stephen Douglas, the intellectual author of the Kansas-Nebraska Act and the *Dred Scott* decision. The latter allowed the southern slave owner to cross state lines, if necessary, to reclaim his property—the slave.

It was also on this question of labor power that Karl Marx’s closest American collaborator, Joseph Weydemeyer, was drawn closer to support of Whig industrialists. Weydemeyer’s polemic from 1853 on was aimed at refuting the “over-population” theories of Malthus. In 1853, Weydemeyer published a series of pamphlets, *Sketches of National Economy*, to recruit the German emigré population, particularly in the U.S. West, away from the “spread the poverty” notions of the German emigré agent Weitling.

Following the passage of the Homestead Act in 1854, Weydemeyer again intervened to prevent the newly opened lands from becoming the domain of agriculture only, as the southern free traders wanted. In early 1855, the Central Committee of the American Workers League published a series of pamphlets by Weydemeyer which called for, in part:

Introduction of large-scale agriculture on those vast areas known as state lands, not in the interests of big capital, but in the interest of workers who constitute the great mass of the nation. Hence, inviolability and indivisibility of state property, development of these lands by workers’ associations under the control and with the help of the states. Connecting industrial enterprises with agriculture and administering them in the same way, so that the saving of human labor by the introduction of machines is not at the expense of the workers, and so that a healthy life and healthy home no longer seem incompatible with large-scale business undertakings.

Henry Carey, too, was insistent that the Republican Party adopt the American System as its policy. He perceived that unless the new party did so, the nation would be hopelessly divided into competing sections—all ruled by the British ideology of free trade. From 1856 until the presidential contest of 1860, Carey’s Vespers circle organized industrial associations in the Midwest, West, and especially, the border states to agitate for the American System.

Much of this agitation was initiated by the Home Protective Union of Pennsylvania of which Carey was president.

Carey and his circle were determined that William Seward would not get the presidential nomination of the Republican Party.

Of primary importance in the fight which preceded the adoption of a national development platform at the 1860 Republican Party convention were the open letters from Henry Carey to the “free trade” wing of the Republican Party and its leader, William Cullen Bryant.

The policy discussions that were generated around these open letters, which were printed in the nation’s protectionist press, reoriented the Republicans’ campaign focus for the upcoming presidential race. As late as 1856, nearly everyone, including some leading Whigs, were content to wage the campaign just on the issue of slavery and its prohibition or extension. Carey said as much in a letter to Ohio Whig leader Judge McLean in June 1858:

We have had a great meeting here, having for its object the reinauguration of protection as a part of the political platform. The ultra-Republicans do not like it, and yet they will be forced to stand by it—Pennsylvania, New Jersey, Delaware, and Maryland being fully determined as I think to have nothing to do with any party that has yet to determine between free trade and protection. . . .

At the same time, Carey continued to warn against the “radical” abolitionists around Harriet Beecher Stowe. In 1859, following the John Brown raid on the arsenal at Harper’s Ferry, West Virginia, which was financed and planned in large part by agents of the British East India Company, Carey wrote:

A year ago, we had the Kansas murders on our side. Now, our opponents have the Harper’s Ferry riots on theirs, and if we do not act with great caution, we shall fail to win the race. . . . It is my final belief that Messrs. Beecher, Phillips, and others, are in this quarter, the most efficient allies of the pro-slavery power. Reflect upon this and then try and persuade your editors to pursue such a course of action as will permit that we may re-elect a good mayor . . . and that we may give the Republican candidates in the autumn a handsome majority. . . .

Carey, particularly in his open letters to Bryant, warned the nation that the British were behind the attempts to wreck the Union.

In common with Franklin and Adams, Hancock and Hamilton, those men clearly saw that it was to the industrial element we were to look for that cement by which our people and our States were to be held together.

Forgetting all the lessons they had taught, we have now so long been following in the direction indicated by our British Free Trade friends—by those who now see, as was seen before the Revolution, in the dispersion of our people the means of maintaining colonial vassalage—that already are they congratulating themselves upon the approaching dissolution of the Union, and the entire re-establishment of British influence over this northern portion of the continent. For proof of this, permit me to refer you to the following extracts from the *Morning Post*, now the recognized organ of the Palmerstonian government:

“If the Northern States should separate from the Southern on the question of slavery—one which now so fiercely agitates the public mind in America—that portion of the Grand Trunk Railway which traverses Maine, might at any day be closed against England, unless indeed the people of that State, with an eye to commercial profit, should offer to annex themselves to Canada. On military as well as commercial grounds it is obviously necessary that British North America should possess on the Atlantic a port open at all times of the year—a port which, whilst the terminus of that railway communication which is destined to do so much for the development and consolidation of the wealth and prosperity of British North America, will make England equally in peace and war independent of the United States. We trust that the question of confederation will be speedily forced upon the attention of Her Majesty’s ministers.

“The present time is the most propitious for its discussion. . . . If slavery is to be the nemesis of Republican America—if separation is to take place—the confederated States of British North America, then a strong and compact nation, would virtually hold the balance of power on the continent, and lead to the restoration of that influence which, more than eighty years ago, England was supposed to have lost. This object, with the uncertain future of Republican institutions in the United States before us, is a subject worthy of the early and earnest consideration of the Parliament and people of the mother country.”

Shall these anticipations be realized? That they must be so, unless our commercial policy shall be changed, is as certain as that the light of day will follow the darkness of night. Look where we may, discord, decay, and slavery march hand-in-hand with the British free trade system—harmony and freedom, wealth and strength, on the contrary, growing in all those countries by which that system is resisted. Such having been, and being now the case, are you not, my dear sir, in your steady advocacy of the Carolinian policy among ourselves, doing all that lies in your power toward undoing the work that was done by the men of ’76?

Repeating once again my offer to place your answers to this and other questions within the reach of a million and a half protectionist readers, I remain Yours, very respectfully, Henry C. Carey.

Needless to say, Bryant could not effectively answer at the time. When the Republican Party convened for the Chicago Convention of 1860, they committed themselves to a program of internal improvements and to building a continental railway. They adopted this resolution penned by Henry Carey:

That while providing revenue for the support of the general government by duties upon imports, sound policy requires such an adjustment of these imports as will encourage the development of the industrial interest of the whole country; and we commend that policy of national exchanges which secures to working-men liberal wages, to agriculture remunerative prices, to mechanics and manufacturers adequate reward for their skill, labour, and enterprise, and to the nation commercial prosperity and independence.

After the Chicago convention, Carey wrote to a friend:

Happily the Republican, or antislavery, party has recently readopted Protection as one of the essential parts of its platform and has nominated as its candidate for the presidency a man who has been all his life a protectionist. He will be elected, and we shall then have a total change in the policy of the country, as you shall see.

The Fight for the American System

When Abraham Lincoln entered office in March of 1861, the Civil War was weeks away. Four southern states had seceded from the Union immediately after the announcement of Lincoln’s victory in the October 1860 election; the rest were to follow in rapid succession. The immediate cause of the Civil War was the firing on Fort Sumter, a Federal fort in South Carolina, by the Confederate insurrectionists. But what drove the North and the South to war was the British conspiracy to overthrow the American System in favor of free trade policies.

The new Lincoln Administration found the United States Treasury virtually bankrupt. The actions taken by Andrew Jackson against the National Bank had set the standard for federal nonintervention into the currency and banking affairs of the nation, which was followed by subsequent Presidents in deference to states rights. Jackson’s dismantling of “Biddle’s Bank” was followed by the 1846 passage of the Independent Treasury Act by the “free trade” Democrats. The act prevented the U.S. government from regulating the affairs of the banks and stipulated that the government should be treated like any other depositor.

Thus, in 1861, Abraham Lincoln and his Administration

were faced with waging a dual war: one against the monetarist bankers of particularly New York and New England, the other against their surrogate, the Confederate Army.

It was Great Britain's intent to gain full financial control over not only the southern Confederacy, but the North. Anyone familiar with the history of British financial manipulation of foreign wars knows that the ABCs of counterinsurgency entail such control of the purse strings of all warring parties as to predetermine the outcome of the battle or the war itself.

Congress was out of session following Lincoln's inauguration, so Secretary of the Treasury Solomon Chase turned to the Associated Banks, headed by James Gallatin, the son of Albert Gallatin, for an immediate loan to the Treasury of \$150 million in specie (gold coin). Chase arranged to have the banks buy government bonds in three sets of \$50 million each in intervals of six days. The specie returned to the banks after it was paid out by the Treasury Department as salaries, materials purchases, and so forth. The Associated Banks also had the right of marketing several million dollars worth of government refinancing bonds, known as 7:30 bonds.

The Associated Banks intended to sell the U.S. debt overseas to the Rothschild and Baring banking houses. In fact, the Barings wrote continually to Chase saying they would be glad to take a part of the securities the Associated Banks had assumed.

U.S. historians widely hold and propagate the belief that the reason behind the Associated Banks' abrogation of their agreement with Treasury Secretary Chase and suspension of specie payments to the government on December 28, 1861 was the *Trent* Affair. Two Confederates, Mason and Slidell, who were carrying diplomatic and financial papers, were enroute to London aboard the British vessel *Trent*. The ship was stopped by an American vessel and the Confederates were removed.

The November 1 *Trent* Affair indeed provoked a "diplomatic scandal." But, there had been other, more important developments in early December which forced the hand of the British and their Associated Banks' agents—the American System was adopted as government policy.

While Chase was negotiating for loans, Carey and his Vespers circle were engaged in furious letter-writing, negotiating, and lobbying efforts with senators, congressmen, and even the President to have the policies of Alexander Hamilton adopted.

In the fall of 1861, Carey received the following letter from Senator Morrill, the author of the protective Morrill Tariff:

I have had a full and fair conference with Secretary Chase. His philosophy is free trade and *ad valorem*s, but he confessed that in his present agony for money the latter failed. He suggested something like the Tariff of 1846. I told him it could not get 20 votes of the Republican Party in the House. At last he came into the same channel and agreed with me that all we could do

with the Tariff was to increase it upon several or even many things. . . . The Secretary prefers a new bill, but almost identical with the one passed. I have aided in preparing it and have found him willing to yield in all save three or four points. On the whole, he is willing to throw his theories to the dogs. All this, of course, you must regard as confidential and if you find a little not quite satisfactory you may thank your stars and possibly your humble servant that it was not worse. I think Chase, considering his antecedents, should receive generous treatment by all our friends. He is doing the best he can practically.

Secretary Chase's report to Congress in December 1861 proposed the passage of a Hamiltonian policy, a proposal seconded by Lincoln in his address to Congress on December 3, 1861. The Hamiltonian policy proposed by Carey and others included the Morrill protective tariff, the issuance of a currency that was internal to the United States and backed by the U.S. government's commitment to a policy of rapid industrial expansion, the sale of United States bonds (popularly known as the 5:20 bonds), the establishment of a national banking system regulated by the federal government, and a peace-winning program to industrialize the South. The national banks were intended to serve as investors in the future wealth of the United States through the purchase of 5:20 bonds and the issuance of long-term, low-interest loans to manufacturers, and by acting as a medium for the circulation of currency. (Carey had proposed such a banking system to Henry Clay years earlier; the system would have been under the jurisdiction of the United States Bank.)

In the fall preceding Lincoln's December address, Carey sent the President the following letters with a copy of his pamphlet urging the construction of a North-South Railroad to facilitate future attempts at industrializing the South:

If Henry Clay's tariff views would have been carried out sooner there would have been no secession because the southern mineral region would long since have obtained control of the planting area. Some means must be found to enable these people of the hill country to profit of our present tariff. . . .

Later Carey wrote:

How much more firm and stable might the antebellum union have been, had there developed then a policy which would have filled the hill country of the South with free white men engaged in mining coal and ore, making iron and cloth, and building school houses and churches, and establishing little libraries. . . .

Carey repeated the same message to Chase and Secretary of State Seward, particularly to encourage immigration to the U.S. The South. Carey argued, would need skilled mechanics

and other tradesmen if reconstruction were to be a success.

On December 3, 1861, Lincoln laid out the American System as the guiding principle of his Administration, a course he was to follow up to and including the day of his assassination. He urged Congress to consider the proposal by Carey to begin the construction of a railroad system into North Carolina, Kentucky, and Tennessee for the purpose of enabling the development of the mining and ore and other industrial interests in these southern states. Such transportation facilities were the obvious first step toward industrializing the South, a fact left out of the texts of modern day U.S. historians to create the myth that Lincoln's reconstruction policy was to readmit the South as it was. I quote here from the relevant sections of the December 3 address.

I deem it of importance that the loyal regions of east Tennessee and western North Carolina should be connected with Kentucky and other faithful parts of the Union, by railroad. I therefore recommend, as a military measure, that Congress provide for the construction of such road as speedily as possible. Kentucky, no doubt, will cooperate and, through her legislation, make the most judicious selection of a line. The northern terminus must connect with some existing railroad; and whether the route shall be from Lexington, or Nicholasville, to the Cumberland Gap; or from Lebanon to the Tennessee line, in the direction of Knoxville; or on some still different line, can easily be determined. Kentucky and the general government cooperating, the work can be completed in a very short time; and when done, it will be not only of vast present usefulness, but also a valuable permanent improvement, worth its cost in all the future. . . .

Regarding financial policy:

The operations of the Treasury during the period which has elapsed since your adjournment have been conducted with signal success. The patriotism of the people has placed at the disposal of the government the large means demanded by the public exigencies. *Much of the national loan has been taken by citizens of the industrial classes, whose confidence in their country's faith and zeal for their country's deliverance from present peril, have induced them to contribute to the support of the government the whole of their limited acquisitions. This fact imposes peculiar obligations to economy in disbursement and energy in action.*

Lincoln concluded the address by clearly stating labor's priority over capital:

It is not needed, nor fitting here, that a general argument should be made in favor of popular institutions; but there is one point, with its connections, not so hack-

neyed as most others, to which I ask a brief attention. *It is the effort to place capital on an equal footing with, if not above labor, in the structure of government. It is assumed that labor is available only in connection with capital; that nobody labors unless somebody else, owning capital, somehow by use of it, induces him to labor. . . . [However,] labor is prior to, and independent of capital. Capital is only the fruit of labor and could never have existed if labor had not first existed. Labor is superior of capital, and deserves much the higher consideration.*

The present author expects the British-tinged writer of U.S. history to indignantly protest this interpretation of Lincoln's annual address. The following brief quote from one of Lincoln's favorite "stump" speeches should firmly establish Lincoln as a self-conscious Whig humanist:

Man is not the only animal who labors; but he is the only one who improves his workmanship. This improvement he effects by Discoveries and Inventions.

The policies which Lincoln would follow during his Administration could only conform to his own personal identity and commitment to the "idea of progress."

When Gallatin and the Associated Banks got wind of the new policy—even before Lincoln and his Treasury Secretary addressed the Congress—they instantly and incessantly wrote to Secretary Chase urging him to adopt instead a stringent taxing policy.

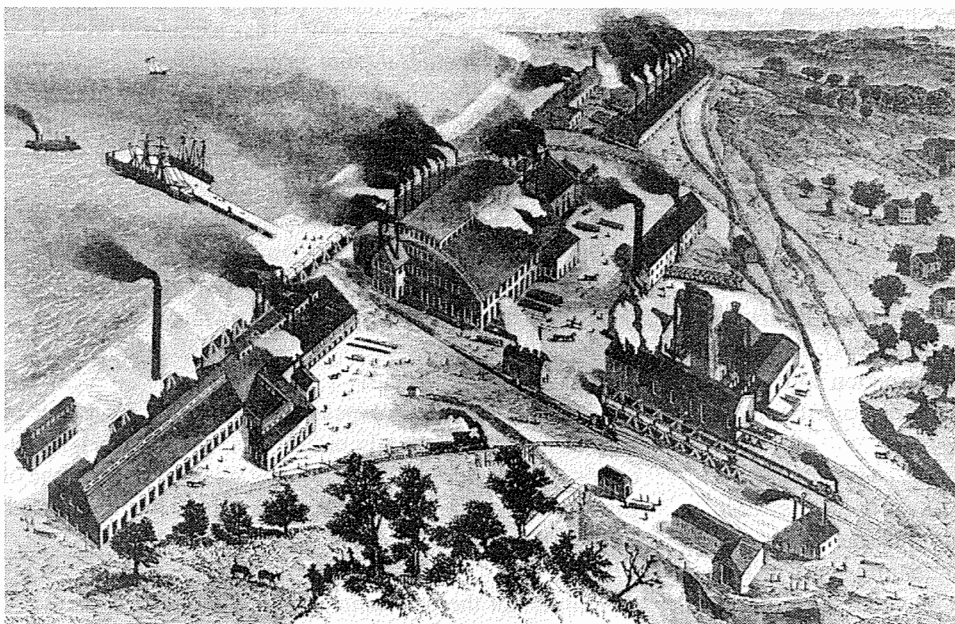
On December 28, 1861, the Associated Banks suspended specie payments to the government. Fearing that all was lost, James Gallatin arranged a meeting with Treasury Secretary Chase and the group of congressmen who would be responsible for steering the "Hamiltonian" legislation through the U.S. Congress.

On January 9, Gallatin outlined his proposal; the Associated Banks proposed that Chase adopt a policy of immediate and direct taxation, allow them to sell an unlimited number of government six percent (or 7:30) bonds below par on the London market, suspend the "sub treasury law" by which the government gained regulatory control over the banks, and halt the issuance of government legal tender.

This plan was dismissed by Congress; Congressman Samuel Hooper (R-Ma.) commented that he would adopt no plan which called for "government shinning [begging] before Wall Street."

British reaction was furious over the failure to get this proposal through. On February 22 *The Economist* of London ran this editorial:

. . . If Congress had adopted an efficient system of direct taxation at the outset of the struggle, the European credit of the government might have been preserved.



The development of manufactures in the South would have destroyed the agrarian slave-based economy, to the benefit of the nation as a whole, as Henry Carey proved. The failure to implement that program cost 600,000 American lives. A 19th-Century ironworks in Milwaukee.

At a price they would have got some money, but now they will not get a sixpence in Lombard Street or on the continent, no matter what interest they offer.

William Cullen Bryant, editor of the *New York Post* and free trade spokesman in the Republican Party, began, at the behest of Boston cotton merchant and financier John Murray Forbes, a series of editorials attacking Lincoln's financial policy and calling for direct taxation of industry to pay off the war debts. After congressional passage of the legislation, Bryant met with Lincoln and editorially implored him to veto the measure. Lincoln refused.

From Britain, August Belmont, then meeting with the Rothschild bankers, and Thurlow Weed dispatched a plethora of protesting messages to Lincoln and Secretary of State Seward. At a meeting arranged by the Rothschilds with Prime Minister Palmerston and Chancellor of the Exchequer William E. Gladstone, Belmont was questioned as to the state of the American nation's defenses and the popular attitude toward England. In one outburst, Palmerston had the gall to say: "We do not like slavery, but we want cotton and we dislike your Morrill tariff."

Belmont wrote to Seward:

...The English government and people could not accept the North's justification for fighting the confederacy as long as this war is not carried on for the abolition of slavery in the southern states. Perhaps English sentiment could use the tonic of a reduction in the objectionable Morrill tariff? Nothing else could contribute so effectively toward disproving widespread southern assertions that the war was merely a contest between free trade and protection.

Palmerston certainly had his reasons for "disliking" the tariff—and the rest of American System policy being implemented. Such a policy on the part of the United States was once again bringing to the fore various international currents which had almost succeeded in destroying British domination at the time of the American Revolution.

Both Germany and Russia began adopting protective systems. The case of Russia is particularly important because it illustrates the point that the protective policy of the U.S. was absolutely not to be equated with isolationism.

Leading U.S. protectionists stated time and again that their aim was to enable the United States to become strong enough to rid the world of the odious British System once and for all. Thus, during the early part of the Lincoln Administration, the U.S. exported to Russia both the blueprints and the technicians for construction of American iron-clad ships which provided the basis for the modernization of the Russian navy and the brute-force development of Russia's iron industry. It was Henry Carey who, by stating the *Tribune's* editorial policy, was responsible in 1856 for U.S. diplomatic support of Russia against England during the Crimean War.

Within England itself, Karl Marx took hold of the international ferment to give direction to the International Workingman's Association. In the words of Pennsylvania Congressman William Kelley, "the producing classes" in England were engaged in a struggle which would finally force that country to adopt some of the best aspects of the American System. Insight into the danger which the British faced is afforded by two letters written by Karl Marx to Friedrich Engels.

On March 6, 1862, Marx writes:

... Of [England's—A.S.] total exports, amounting to 125,115,133 pounds (1861), 42,260,970 pounds' worth



"Britain," writes Salisbury, "in its desire to replace the American System of industrial progress with the British System of Malthusian poverty and looting, created the Confederacy." Here, an Alabama cotton plantation.

to go to English "possessions" and "colonies." If one adds to these England's further exports to Asia, Africa, and America, 23 to 24 percent at most then remain for export to the European states. If Russia goes forward in Asia at the double quick march of the last ten years, until she concentrates all her efforts on India, then it is all up with John Bull's world market, and this end is further hastened by the protectionist policy of the United States, which now, if only to revenge themselves on John Bull, will assuredly not give it up so soon. Moreover, John Bull discovers with horror that his principal colonies in North America and Australia become protectionist in precisely the same measure as John Bull becomes a free trader. The self-conceit, brutal stupidity with which John admires Pam's spirited policy in Asia and America, will cost him damned dear. . . .

Again, on May 27, Marx writes Engels on the response of Britain to American financial policy.

It is wonderfully fine how the *Times* [of London—A.S.] wails that . . . liberty must be lost in the event of the North tyrannizing the South. *The Economist* is also good. In its last number, it declares that the Yankees' financial prosperity—the non-depreciation of their paper money—is incomprehensible to it (although the matter is perfectly simple). It had hitherto consoled its readers from week to week with this depreciation. Although it now admits that it does not understand what is its business and has misled its readers concerning this, it is at present solacing them with dark doubts

about the military operations of which it officially knows nothing. What extraordinarily facilitated the paper operations of the Yankees (the main point being the confidence placed in their paper money and therewith in their government) was without question the circumstance that in consequence of secession the West was almost denuded of paper money and therefore of a circulating medium generally. All the banks whose principal securities consisted of the bonds of slave states, were bankrupted.

. . . Then partly in consequence of the Morrill tariff, partly in consequence of the war itself, which largely put an end to the import of luxuries, the Yankees had a balance of trade and therefore a rate of exchange favorable to themselves and against Europe the whole time. An unfavorable rate of exchange might

have badly affected the patriotic confidence in their paper on the part of the philistines.

For the rest—this comical concern of John Bull for the interest on the national debt that Uncle Sam will have to pay! As if it were not a mere bagatelle in comparison with Bull's national debt; moreover the United States are unquestionably richer today than were the Bulls with their debt of a billion in 1815.

Frantic over the American System financial policy adopted by the U.S. government, the British government shifted the emphasis of its policy away from the "hard line" of Palmerston, who had intended to go to war against the Union on the side of the South. The new approach was to be "softer" and guided by the liberals under John Stuart Mill and Chancellor of the Exchequer Gladstone, who was later to become Prime Minister. Mill, who was heard to exclaim "what are we to do without our New York banks," argued for such a shift: the South, after all, had defaulted on its debt payment and was unreliable.

Mill's circle of liberals, connected to both the British manufacturers and the Rothschild and Baring banks, controlled the Cobden Clubs—Britain's world-wide agitators for "free trade." The clubs' U.S. members could be found within the free-trade wing of the Republican Party and within the U.S. abolitionist movement. The leading figures in the United States were Edward Atkinson, the Massachusetts liberal and cotton merchant; William Cullen Bryant, the editor of the *Evening Post* and the leading transcendentalist literary figure; Charles Sumner, the abolitionist and Senator from Massachusetts; William Lloyd Garrison; Harriet Beecher Stowe;

Charles Francis Adams, the U.S. Ambassador to England; and a host of others. The Cobden Clubs, as the true descendants of Jeremy Bentham, were primarily responsible for disseminating and popularizing the Manchester school of economics, the school of Ricardo, Malthus, and Smith, as well as every degraded form of nominalist thought which passed for science, including the theories of Charles Darwin.

The network of free-trade radicals in the U.S. were largely tied to East Coast shipping and banking interests, and to New England textile manufacturers and export-import bankers. The merchants and bankers depended largely on England, the export of cotton and other unfinished raw materials, and the import of finished goods from Britain. They would, on economic matters, support the interests of Britain against the United States. Their party loyalties were largely to the Democratic Party, particularly after Andrew Jackson's election to the presidency.

This is the network which was employed in the operation to destabilize Lincoln's government, utilizing well-tested British counterinsurgency methods and underwritten by Britain. There was speculation in gold on Wall Street in order to depreciate the Greenback currency, and an effort was made to undermine the Union's war effort through an attack on the Commanding General of the Army McClellan and through a manipulation of the slavery issue.

The following letter, written by Henry Carey to Treasury Secretary Chase in January 1862, illustrates the problem.

... Last night at a large public meeting in this city one of the speakers asserted clearly and distinctly that General McClellan had been ordered by the President and the Secretary to take the South by the Peninsula—that he had protested it—that he had said however that he was only a soldier and must obey orders—and that he would do so, although it would certainly involve the ruin of the army. That the reverse of all this was true was not for a moment doubted by many of the audience, but who among them was there, who could certainly expect that such was the fact? Not even a single person present. The real facts, as given to me by a friend almost at the moment of their occurrence, I have always believed to be, that General McClellan urged the Peninsula route—that the Secretary opposed it—and that it was with no small difficulty he was induced to side with the former. If this is really so, why should not the world know about it? All believe the President honest, and all would be found ready to excuse any error of judgement that he might admit.

Some explanation must certainly soon be given for if it be not, we shall have war among ourselves—the McClellan and anti-McClellan factions as bitter as are now the patriots and the rebels. Let things go on as they are now going and there may arise a danger yet overlooked for—the appearance of McClellan and his army at the gates of Washington and not at those of

Richmond. A more unscrupulous faction than that which is now advocating ruin does not exist even in Carolina, and the government, by its silence, is doing all in its power to give it strength. Let us go on for another month and you will, my dear sir, find it very difficult to negotiate the notes you are now authorized to issue. For every reason then, I pray you to let your friends know what are the real facts.

What had been unleashed upon the American nation was "countergang" warfare in the midst of the war against the secessionists. The Commanding General of the Army, McClellan, was an ardent "states rights" Democrat who, by his own admission, was not politically motivated to wage war against the South and would have accepted peace at any price.

Having a target in McClellan, the radicals opened a campaign against the Administration on two fronts: demand for the removal of McClellan from office and agitation for an immediate proclamation ending slavery. It cannot be overemphasized that the so-called radicals of the stripe of Charles Sumner, William Lloyd Garrison and William Cullen Bryant did not give a damn about ending slavery. It was merely a convenient issue around which to destabilize the Lincoln Administration. William Cullen Bryant's newspaper, *The Evening Post*, opened the campaign, early in 1862, shortly after Lincoln refused to veto the legal tender bill.

The focus of the slavery issue was the Wade-Davis emancipation bill, passed by Congress, but vetoed by Lincoln—and for a very good reason. The measure would have placed a lien on southern cotton for the accounts of New England textile manufacturers and the Rothschild-connected bankers Belmont and Seligman as security for payment of southern debt contracted before the war.

Lincoln incurred the wrath of the free traders for his veto of the bill, not because he was unwilling to free the slave, but because he would not set up the South for postwar financial looting against the South's entire population, including the freedmen.

The Wade-Davis Bill had the added onerous feature of treating slaves as southern property which could be confiscated together with the bales of cotton.

The newspapers of William Cullen Bryant and others harangued Lincoln for being pro-slavery; in their private correspondence, they were vexed. Cobden Club member Edward Atkinson received many such letters, including one from New England cotton merchant Forbes who wanted to "wring Lincoln's scrawny neck" for vetoing the legislation.

Free trade radicals infested Congress; they were even members of the congressional committee on the conduct of the war. Their waving of the Wade-Davis banner forced Lincoln to bypass Congress. As Commander in Chief of the Union's armed forces, Lincoln issued his Emancipation Proclamation as a military decree. He also proposed a period of apprenticeship for the newly freed men to enable them to contribute to a postwar industrializing South.

Another "free trade" attack which Bryant led was against the Greenbacks and the government's investment policy, which centered on creating a national banking system. Government 5:20 bonds would be sold to those banks as a basis for issuing low-interest credits to industry and to facilitate the circulation of currency. Gallatin's Associated Banks refused to participate in the national banking system and gave the government no aid in its sale of the 5:20 bonds.

Philadelphia banker Jay Cooke had been employed by Treasury Secretary Chase to become the sole agent for the sale of 5:20 bonds. Several of Henry Carey's associates, principally Stephen Colwell and William Elder, both important Whig economists in their own right, and Samuel Wilkerson, prepared the propaganda Cooke utilized to sell the bonds. Elder and Colwell were later appointed by Lincoln to posts in the Treasury Department: Elder as the official Treasury statistician and Colwell as an economist.

The original bill, authorizing the sale of 5:20 bonds, contained no provision for paying the interest on the bonds in gold. Thus, if the bill as it was prepared by Thaddeus Stevens's House Ways and Means Committee had passed the House, it would have had the effect of severing the domestic economy of the United States from the British early in Lincoln's Administration. The British pound sterling, at the time, was the gold-backed world reserve currency. But before the bill was passed, August Belmont and James Gallatin worked out a compromise with Republican Congressman Spaulding of New York which allowed the bonds to be purchased with Greenbacks, but their interest was to be paid in specie.

The compromise was the first step in pegging the value of the U.S. Greenback to gold, and allowed Belmont and other New York merchants engaged in the export-import trade to speculate in gold through the Associated Banks and thus create fluctuations in the value of Greenbacks as measured by the British gold standard.

Congress was eventually forced to pass two bills in 1864: one coerced the Associated Banks to join the national banking system by forcing them to pay a ten percent tax on every transaction outside the system; and another, authored by Thaddeus Stevens at Lincoln's request, outlawed all sale of gold in the New York Gold Room.

In the meantime, the actions of the Associated Banks prompted the Whig mayor of New York, George Opdyke, an ardent opponent of John Stuart Mill, to seek Jay Cooke's assistance in founding a national bank in New York with twice the reserves of the Associated Banks. Opdyke had been instrumental in organizing, through a small faction in the New York City Chamber of Commerce, petitions to Treasury Secretary Chase and to Congress to make the Greenbacks legal tender. He was well informed and sought to keep the protectionist forces up to date on the work being done in England by Karl Marx and the IWMA, and constantly pointed to the fact that they were holding demonstrations all over England in support of the Union. As Marx writes in a letter to Engels on January 2, 1863:

The *Times* and Co. are utterly furious over the workers' meetings in Manchester, Sheffield, and London. It is very good that the eyes of the Yankees are opened in this way. For the rest, Opdyke has already said at a meeting in New York: "We know that the English working class are with us, and that the governing classes of England are against us."

Both Elder and Wilkerson's pamphlets and circulars, produced for the government loan office, were largely educational on the national banking system and informed the world of the development policy of the country. A report by William Elder, written in the latter part of 1863 and titled *The Debt and Resources of the United States*, puts forth the Whig perspective on abolition as well as the nation's development policy.

The very best and healthiest of all the causes of this prosperity is that one which has given us our own work to do—the congressional legislation of 1861-1862 upon import duties aided by the high rate of foreign exchange. For more than a year, we have had the competing industry of Europe under a tolerable commercial blockade, and the policy which saves a Nation's work for its own hands has had a demonstration of its wonder working power among us, which will not be lost when gold falls to par and peace puts in practice the wisdom that war has taught. . . . Someone may turn upon us with impatience and ask whether we mean to prove that war is a blessing? No, alas! No. War, Pestilence, and Famine are a leash of evils, usually associated, but happily separated in our case, sparing us the most terrible, and so far modifying the fury of the leader of the train, and with this further mitigation, that for the time it has broken up a wretched system of commercial policy, greatly more destructive to the industrial interests of the nation than all the usual waste of war. It has muzzled the two blood-hounds that always hunt in couples, slavery and free trade, slavery ever crying for free foreign trade, and free trade meaning nothing but slave men. Even a national debt may be lighter than a paralyzed industry, and may indirectly give the strength to bear its burden, by protecting labor itself from foreign invasion, and keeping it free to build up a Nation's wealth.

This fifty-page pamphlet and others like it were translated into German, Spanish, French, and Russian, and were distributed throughout. The pamphlet included charts of U.S. growth since the adoption of the protective policy, and the projected development of U.S. resources once the war is ended. Most importantly, the pamphlet contrasted the U.S. national debt with the British national debt, and the U.S. development policy with British looting. In short, it was a "how-to-do-it" pamphlet for other nations to follow.

To be continued.

AMERICA'S BATTLE WITH BRITAIN, 1860-1876

The Civil War and The American System

by W. Allen Salisbury

The following is the second and concluding installment of our reprint of the introduction to the late W. Allen Salisbury's book, whose title appears above, and which was first published 25 years ago. One of the crucial discoveries made by the LaRouche movement, this book uncovered the long-suppressed history of the battle between the American System of political-economy, associated with the protectionist and pro-labor economics of Abraham Lincoln and Henry Carey; and the British System of free trade. The book includes key writings of the American System thinkers of the 19th Century, of which we publish one here, an excerpt from Henry C. Carey's famous "The Harmony of Interest."

The Assassination of Lincoln: British Coup Against the American System

It is the general conclusion among historiographers that Lincoln was somehow not involved in the financial policy pursued by Treasury Secretary Chase. On the day he was assassinated, Lincoln was in fact considering the problem of how to combat speculation by bringing the national currency (the Greenbacks) up to par value without contracting the supply. He told a gathering of Congressmen:

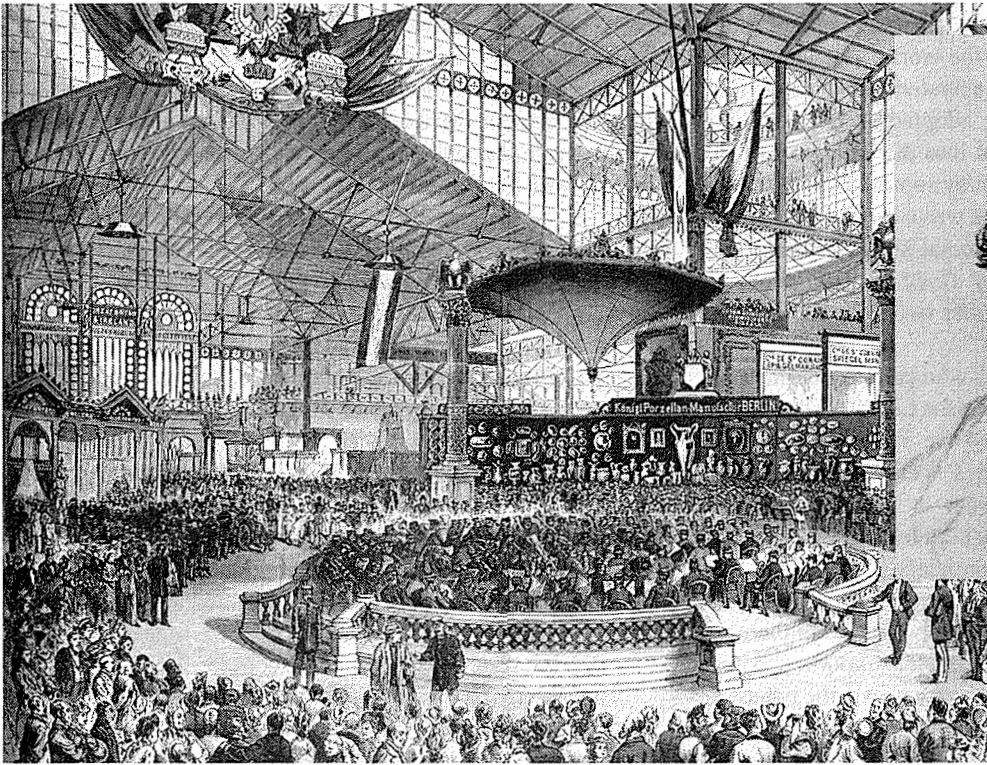
Grant thinks we can reduce the cost of the army establishment at least half a million a day, which, with the reduction of expenditures of our navy, will soon bring down our national debt to something like decent proportions, and bring our national paper up to par, or nearly so, with gold.

At Lincoln's request, Henry Carey wrote a series of open letters to the Speaker of the House of Representatives

Schuyler Colfax that were titled, "How to Outdo England Without Fighting Her." Carey argued against the heteronomy with which U.S. economic policy was carried out. Lincoln had been forced to put his signature on bills that he did not consider in the national interest, Carey pointed out. He called for the creation of a national economic policy planning body under the control of the executive branch. Lincoln did set up the Revenue Commission and appointed at its head David Ames Wells, a person everyone thought to be a Careyite.

British financial warfare against the United States followed the conclusion of the Civil War, and assassination was a strategic part of this renewed assault. Secretary of the Treasury McCulloch, Lincoln's third Treasury Secretary, actually initiated the attack on the American System with an open letter to Henry Carey which was published in the *Chicago Tribune* just three days before Lincoln's death. He advocated a reduction of the tariff, an immediate return to specie [gold] payments, and a contraction of the currency. The article was accompanied by the following excerpt from the *London Times*:

He [McCulloch—A.S.] is what few Americans are: a sound political economist. He has studied the philosophy and theory as well as the practice. To read his letters and Treatise anyone who did not know that he was an American might imagine that he was an Englishman or a Scotsman, who had never embraced the delusion so prevalent on this side of the Atlantic, that as the resources of America are not half developed it is competent to American statesmen to run riot in wild experiment and set at defiance the dearly bought experience of older communities. Mr. McCulloch is, as far as his



The U.S. Centennial Exposition in Philadelphia in 1876 displayed a vast array of inventions and industrial improvements that came about as the result of the work of the American System proponents, against the British free-trade faction. The Exposition was lampooned by the American Tories. Inset: Henry C. Carey, the economist who led the fight for American System economics.

published opinions testify, a worthy successor of Adam Smith, Mill, Ricardo and his quasi-namesake the late J.K. McCulloch.

Lincoln chastised McCulloch for the article. Three days later the President was assassinated; a virtual coup d'état within the executive branch of the government had been perpetrated by the British.

Contemporary revisionist history has promulgated the myth that Andrew Johnson, Lincoln's successor, angered the Congress because he committed himself to carrying out Lincoln's "lenient" policy toward the South. In fact, Johnson's Inaugural Address marked a total reversal of Lincoln's economic policy.

... The present law of tariff is being rapidly understood. It is no longer a deception, but rather a well defined, and clearly recognized outrage. The agricultural labor of the land is driven to the counters of the most gigantic monopoly ever before sanctioned by law. From its exorbitant demands there is no escape. The European manufacturer is forbidden our ports of trade for fear he might sell his goods at cheaper rates and thus relieve the burdens of the consumers. We have declared by law that there is but one market into which our citizens shall go to make their purchases, and we have left it to the owners of the market to fix their own prices. The bare state-

ment of such a principle foreshadows at once the consequences which flow from it. One class of citizens, and by far the largest and most useful is placed at the mercy, for the necessities as well as luxuries of life, of the fostered, favored, and protected class to whose aid the whole power of the government is given.

... Free trade with all the markets of the world is the true theory of government.

Almost the entire Johnson Cabinet were either outright British agents or corrupted by British ideology: the President, Secretary of War Stanton, Secretary of State Seward, and Secretary of the Treasury McCulloch. In a celebrated speech in Fort Wayne, Indiana in late 1865, McCulloch announced his intention of reversing the American System. His policy was to rapidly contract the national currency and return the nation immediately to specie payments and direct taxation of productive wealth (looting) to pay off the national debt.

Within the context of a policy which called for destroying the nation's industrial base to pay off foreign debts, any positive program for reconstruction of the South was impossible.

The Case of David Ames Wells: How British Counterinsurgency Worked

The Whig congressmen and senators around Henry Carey opened a counterattack in defense of Lincoln's program that is responsible for the growth of American industry and the

scientific development which turned this nation into the most advanced technological nation in the world. The fight, in its conscious terms, was the American System versus the British System which was slowly being adopted as U.S. banking and credit policy. The fight lasted into the early part of the twentieth century. William McKinley summed up more than a hundred years of history when he wrote in 1896 that "there has existed a fight between two social systems." He made clear in his book, *The History of Tariff Legislation From Henry Clay to the Present*, that those two systems were the British and the American.

The traitor, the agent-in-place, who carried out the most devastating British operation against the Lincoln Administration—next to the assassination of the President—and the American System was David Ames Wells, the head of the Special Commission on the Revenue.

Wells was appointed to the position by Lincoln, after the President read one of Wells's pamphlets, *Our Burden and Our Strength* (1864). He was ordered to review the nation's currency situation and to formulate proposals for implementation at the end of Civil War hostilities. It is important to note that Wells was appointed to the Treasury post at the behest of Henry Carey. Throughout the war, Wells professed himself to be a committed protectionist. His pamphlet, *Our Burden and Our Strength*, was, in fact, very similar to the pamphlet written earlier by Elder.

One of the first acts of Treasury Secretary McCulloch was to begin—again—selling the 7:30 bonds, first tried unsuccessfully by Chase. The 7:30s and the new 10:40s were sold by Jay Cooke, August Belmont, and investment banker Joseph Seligman. They represented further leverage for the British to begin "consolidation" of the U.S. debt.

In terms of policy, the principal difference to be understood between the 5:20 bonds, and the 7:30 and 10:40 bonds, was that purchase of the former was an investment in the future growth of U.S. industry, in the development of natural resources, and in the mechanization of agriculture. The latter two bonds were a part of a debt payment policy which included contraction of the currency, heavy taxation, and the removal of the tariff barrier; in short, a loan to the government which would be paid by looting present and future production, and labor power.

McCulloch's proposed reversal of U.S. policy was seen as crucial by the Bank of England, and the Rothschild and Baring banking houses. Opposition to British looting policies at home and abroad was growing stronger with every success at restoring the American System in the U.S. At the end of 1865, the panic provoked by the bankruptcy of the Overend Gurney company threatened to bring down the Bank of England and with it substantial portions of the British Empire. McCulloch's "immediate return to specie payments" meant a bail-out of the Bank of England, a fact whose significance leading Whigs well understood. At the height of the "Overend Gurney" panic, McCulloch released some \$30,000,000 in U.S. gold to England as part of the bail-out.

David Wells, however, was the most important British "agent-in-place" in this bail-out operation.

The day following congressional approval of his appointment as Special Revenue Commissioner on July 17, 1866, Wells wrote the following letter to Boston cotton merchant and Cobden Club member Atkinson:

As you know the tariff bill is laid on the shelf until next winter, and on the whole I am not sorry for it. I sent you a copy of the Senate bill, with the House amendments. . . . I have changed my mind respecting tariffs and protection very much since I came to Washington and am coming over to the ground which you occupy. . . .

Just a few weeks before, New York Congressman John Griswold, an iron manufacturer, and Henry Carey got the following communiqué from the United States Consul in Liverpool, Thomas Dudley. The communiqué was read by Griswold from the floor of the House and printed in all the protectionist press.

They are making great efforts on this side to repeal our tariff and admit British goods free of duty. If effort and money can accomplish it, you may rest assured it will be done. The work is done through the agents of foreign houses in Boston and New York. Their plan is to agitate in the western States, and to form free-trade associations all over the country.

The first series of reports by Stephen Colwell, also a member of the Revenue Commission, was devoted to attacking British free trade and warning the United States Congress on what the British were up to.

Thinking that Wells was still a patriot, Colwell addressed the following note to him:

I took these reports to the Secretary only from the proof to let him know what was coming. I intended to submit them personally to my colleagues before reporting them to the Secretary. . . . Our conversation was wholly as to the one upon high prices. I believe he agreed with the others, but the one on high prices evidently annoyed him. He thought it would operate unfavorably upon his plans and views in reference to Wall Street. I regard my views, though differing widely from his, as vital to the interests of the country, and to our revenue system, whatever shape it may take.

Thus Colwell, along with industrialists and congressmen led by the Pennsylvania contingent of Senator Moorehead, Representative Thaddeus Stevens and Representative William Kelley, began an attempt to impose a congressional dictatorship of sorts over the nation's economic policy. Their goal was the passage of a higher general tariff law while McCulloch was stripped of his power to contract the currency.

One of Colwell's reports which was not suppressed by McCulloch and Wells is his *Claims of Labor*. It warns against any attempt by the Secretary of the Treasury to adopt a system of economics modeled on the British System, since it would wholly exclude as a consideration the labor theory of value. It reads in part:

The interests of that immense majority of men who do not merely labor for their living, but whose industry and skill produce all that is called wealth . . . deserve to be studied directly and specially, and not merely as incidents of national wealth. No system of social economy can be trusted which suppresses or overlooks the duties which men owe to their fellow men; and no system of social duties can for a moment be compared with that which was propounded by Him who gave the commandment "Love thy neighbor as thyself."

The prevailing systems [the Manchester school—A.S.] take wealth for their subject and treating it under the special topics of production, distribution, and consumption, proceed to develop it mainly from a commercial point of view. The production of wealth is its appearance in the channels of commerce, that is supply; its distribution is commerce; its consumption, its movement to the consumers, that is demand.

In fact, however, the producers and consumers are substantially the same. In a state of advanced civilization, the extreme division of labor makes it necessary to institute a system of exchange of products which involves that complicated movement for the assortment of products which is called trade; an agency which is not designed to promote the interests of that class of men called merchants, but to promote the comfort and well-being of all classes of society, especially that largest class, of which those who labor for a living are the members. This is the class that furnishes the producers and the chief part of the consumers. The point of view, then, from which to regard social industry is not trade, but labor and social well-being. Trade is but one of the branches of this industry, a department which becomes more important as civilization advances, but can never be otherwise than subordinate to the interests of the great body of producers and consumers. Merchants form a necessary class, but their private interests prompt them to make the largest profits possible out of their agency. It is therefore assuming a false position to study the interests of those who produce by the light furnished by those who merely assort and distribute the commodities of industry.

In late 1865, after Colwell learned of the British anti-tariff scheme, he successfully organized the wool growers of the West and the wool manufacturers of the East into one lobbying association which could act in concert with the nation's industrialists, centered around the Pennsylvania Iron and

Steel Association. Their chief spokesman was John Williams, editor of *Iron Age* magazine; they were backed by the *New York Tribune* and the Washington-Philadelphia newspaper chain owned by an associate of Carey's, John Forney. Forney, who had been Secretary of the Senate, had drafted his Pennsylvania papers in support of Lincoln, silencing those who would "dump Lincoln" from the Republican slate in 1864.

Although the vigorous campaign led by Carey was only partially successful, both the House of Representatives and the Senate received memorializations from industrialists nationwide to legislate against McCulloch's contraction policy. The memorializations were the result of a series of open letters from Carey to McCulloch and Massachusetts free trader, Congressman Henry Wilson.

The nation, however, was still awaiting the reports of the Special Revenue Commission headed by David Wells.

By the time Carey published his letters to Wilson, British plans were well underway. Edward Atkinson wrote to Carey on November 11, 1867, offering his opinion of the open letters.

I will frankly admit that I am rejoiced at its publication as it will achieve no New England men from any supposed or implied obligation to vote for protectionist measures next winter, as many of them did at the last session against their own conviction. We have had to bear the odium of what I call the Pennsylvania policy and we can join the Northwest and the new South in promoting a simple revenue system and speedy return to specie payments.

Atkinson could afford to be cocksure; Wells had been in England all that summer on a "fact-finding mission" to give some depth to his upcoming revenue report. In his letters to McCulloch and Atkinson, Wells said that he was gathering information to refute Carey's *Harmony of Interest*. Thus, he met with Thomas Baring of the Baring Brothers investment house, John Stuart Mill, and various representatives of the Cobden Clubs—the most vociferous international proponents of free trade.

This was no mere fact-finding mission, but an effort to make the British System the policy of the American nation. On July 10, 1867, McCulloch instructed him:

I have been hearing from time to time favorable accounts of yourself and the work which you are doing in the way of obtaining valuable information in regard to the industry and the revenue system of England. I have no question that your visit will be of great service to this Department and to the country. . . .

Two days later, he wrote:

I am greatly pleased to learn that you have been so handsomely received by Mr. Gladstone, and am not a

little gratified by the assurances which you give me that my administration of the Treasury is approved by intelligent men in England. . . . Some of our high tariff men are very apprehensive that you will become too much indoctrinated with free trade notions by a visit to England.

Up to the time Wells left for England, he was still professing protection as his policy with the intent of delaying effective action during the difficult years of the Andrew Johnson Administration. Before his departure, he wrote to Carey:

I hope to join your Vesper circle of worshippers on Sunday eve; but as I may not be able to leave I will make a provisional appointment for Monday eve. There seems to be a most persistent and determined effort on the part of some to brand me as with the ranks of the free traders; or to make the country believe that I am dangerous and disloyal to the best interest of American industry. Now I am determined not to be sent out of the ranks of my old friends and supporters. . . . Invite a few of your intimates over, say McMichael, Lewis, Reeves, Blodgell, Baird, and Tucker, or whoever else you may think proper and let's talk this matter over. I will state how matters look from my . . . views and hear what you all have to say; and see if we can agree.

When Wells returned from England to the U.S. in 1867, he was still publicly insisting that he was a protectionist; in his private letters to James Garfield, Edward Atkinson, and Thomas Baring, he confessed that he was a British free trader.

In the fall congressional session of 1867, the industrialist faction led by Carey succeeded in stripping McCulloch of his power to contract the currency. Legislation was framed to perfect the tariff system that had been set up during the war and an interconvertible bond measure was introduced allowing the 5:20 bonds to be redeemed in Greenbacks and setting at 3.65 percent the interest rate on the government-funded debt which was the credit-generating base of the national banking system.

On November 7, 1867, Edward Atkinson wrote McCulloch to warn him of the Whig proposal for controlling the national banks.

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

Throughout the summer before, *Iron Age*, the unquestioned spokesman for U.S. iron interests, the developing agribusiness in the Midwest, and the tool and dye industry, wrote editorial after editorial urging the formation of industry and labor alliances, and issued sharp attacks against British System economists.

At issue was the fact that while there had been a substantial rate of growth of U.S. industry under the Lincoln Administration, under McCulloch the production of wealth in the nation was being sharply curtailed. As Carey put it, "Lincoln had 'wed' the nation's treasury to the producers of wealth"; the hallmark of Lincoln's economic program was the protective Morrill Tariff. Under McCulloch, the supply of currency was being steadily contracted, the national debt was being sold to the Rothschild and Baring banks by way of New York, and heavy taxation of industry was promised.

The nation's manufacturers found it nearly impossible to get loans for investment in plant and machinery. What money the iron industry did get was used to convert almost entirely to the Bessemer process that allowed for the production of steel.

Carey's open letters attacking McCulloch and the British free traders were distributed by these industrialists all over the country and were reprinted in three-fifths of the nation's newspapers, according to contemporaries.

Reflecting the pressure coming from the nation's manufacturers, Senator John Sherman took the Senate floor on January 9, 1868, to comment on congressional suspension of McCulloch's currency contraction powers.

It will satisfy the public mind that no further contraction will be made when industry is in a measure paralyzed. We have the complaint from all parts of the country, from all branches of industry from every state in the union that industry for some reason is paralyzed and that trade and enterprise are not so well rewarded as they were. Many perhaps erroneously attribute all this to the contraction of the currency—a contraction which I believe is unexemplified in the history of any nation. One hundred and forty million dollars have been withdrawn . . . in less than two years. It may be wise, it may be beneficial, but still so rapid as to excite a stringency that is causing complaint, and I think the people ought to be relieved from that.

This will strongly impress upon Congress the imperative duty of acting wisely upon financial measures for the responsibility will then rest squarely upon Congress and will not be shared with them by the Secretary of the Treasury.

It will encourage businessmen to continue old and embark in new enterprises when they are assured that no change will be made in the measure of value without the open and deliberate consent of their representatives.

The London *Daily News* of January 28, 1868, displayed

its chagrin to the world.

In all questions relating to the tariff and taxation, both houses were largely influenced by the lobby which represented various interests looking for special protection, and which invariably succeeded in shutting out students and economists. These gentry have, in fact, had full swing for the last five years, and perhaps they succeeded in imposing on the country a system of taxation [tariffs] which perhaps has every fault which any system of taxation ever had, with some which no system has ever had and against which no economist ever thought of warning the world.

In late December 1868, Carey wrote to McCulloch, signing his letter "Alexander Hamilton."

In the first place I do not agree with you in your sweeping denunciation of our legal tender circulation, except so far as it is subject to terrible abuse such as has been experienced in the currency of every age. In this country we have never had a paper money simply and truly, only nominally based on a specie platform. . . . The U.S. Bank did not give us specie, its notes were current almost on the same fundamental hypothesis, which has given useful circulation to the Legal Tender issues.

. . . It was not as a mere war incident that Legal Tenders were put into circulation, that necessitous ingredient would not have given them currency, it was the intellectual acknowledgement that the power and right to issue Legal Tender notes was nothing more than the plain and enlightened exercise of a high sovereign prerogative, never to be doubted although always to be deployed with the most severe and scrupulous discretion—as a sacred trust. . . . To revert to the Legal Tenders, permit me to ask a single sober question. What should we do, if Europe were to become involved in a general warfare, with any other currency than that which we now have? In less than three months we should be disgraced with the charge of bankruptcy for the non-payment of specie.

The Pendleton Plan

It soon became clear to the British that merely an "agents-in-place" operation would not suffice to break the Whigs' grip on the Republican Party. What was needed was something more, an arousal of popular opinion to give their agents in Congress more maneuvering room and to force the national banks to support the various debt-refunding schemes. As Atkinson expressed the matter to Wells, "Jay Cooke was hurting the cause because he was willing to compromise too much" with the Whigs on the refunding issue.

The national banks were established to utilize the 5:20 bonds (the government-funded debt) as a basis for issuing

credit. The enacting legislation allowed for only the interest on the 5:20 bonds to be payable in gold coin; the bonds themselves could be purchased with Greenbacks. The 5:20 bonds under Lincoln's Administration represented the basis for issuing long-term, low-interest loans to industry. Thus, if the Rothschild-Baring refunding measures were to be enacted, the grouping of bankers essentially identified as the Jay Cooke wing of the Republican Party had to be shaken loose from Whig control. The Democratic Party was mobilized.

George Pendleton was an Ohio "Copperhead" Democrat and Jacksonian congressman. During the Civil War, while the American System measures were being debated, he professed that "God had ordained gold to be money." Later, in the Ohio elections of 1867, Pendleton led the Democratic Party on a campaign to tap the old Jacksonian populism that was deep seated in the Midwest, especially among the backward butter-nut farmers. Pendleton campaigned on a platform that called for only the 5:20 bonds to be paid off in Greenbacks and outright repudiation of interest on the bonds. He raised the old Jacksonian cry about getting rid of the national banks and the funded debt.

Henry Clay Dean, another old Jacksonian and "Copperhead," inundated the midwestern press with articles attacking Alexander Hamilton, Nicholas Biddle, and the funded debt. He, too, wanted to bring back the days of Jacksonian pluralism.

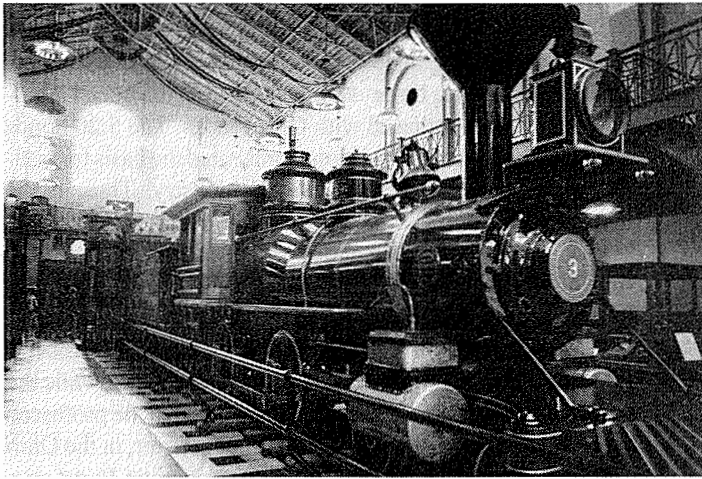
The platform adopted at the Democratic Party convention for the 1868 presidential election was the Pendleton plan *in toto*. August Belmont made sure that the Democratic presidential candidate, Horatio Seymore, was a "hard money" man.

This populist agitation forced a change in the Republican Party which gave the upper hand to the "liberals." The campaign platform of Republican candidate Ulysses S. Grant called for an early return to specie payments and the payment of all government obligations in gold. The demagogic propaganda attempted to brand the Carey faction as "repudiationist," no different than the Democrats.

Sufficient pressure had thus been built up to push Jay Cooke behind a refunding measure which would allow the British banking group to purchase the entire U.S. debt. The scheme followed by Senators Sherman and Sumner called for a new bond issue to be sold primarily in Europe; the principal and interest would be gold-backed. The special feature of this funding scheme was that it would allow the network of national banks to trade in their 5:20 bonds for the new issue, which would both increase the national indebtedness and, at the same time, destroy the productive capacity of the nation.

Pennsylvania Congressman William D. Kelley wrote to Carey describing the situation in Congress.

I have no idea that the funding bill will get through in any shape. For myself I will not vote for a bill that proposes to pay our bonds abroad and in foreign cur-



A Baldwin locomotive on display at the Smithsonian Institution in Washington, D.C. Railway production was key to the global effort by Henry Carey's faction to promote economic development.

rency or to extend our debt without option on the part of the government over a period of 40 years.

Senator Charles Sumner, writing to Carey, answered the Whig protest.

I am sorry that the bill I have introduced seems to you likely to prove ruinous. I cannot think that you are right. And though I have had long conversations with many opposed to my place and have received many letters from many more . . . what Congress will do remains to be seen—it certainly should not adjourn without adopting some measure to bring about the desired result but the opposition to all measures to maintain the National honesty is very strong, and may prevail.

Even John Stuart Mill, although sensing a British victory, wrote a long article for Edwin L. Godkin's *Nation* saying how unfortunate it was that the Democratic Party was advocating such financial heresy.

The Whig leader of the House of Representatives, Thaddeus Stevens, had few alternatives but to attempt to run a "congressional dictatorship" in the absence of an effective executive like Abraham Lincoln. He was determined to industrialize the South, breaking up and confiscating the large southern plantations as a step in industrialization. He opposed the refunding measure.

It was Stevens who, to the annoyance of abolitionist Harriet Beecher Stowe, insisted on granting suffrage to the freedmen as a means of creating an alliance of the freedmen with enlightened southern Whigs and assuring the ascendancy of the Republican Party in the South.

He did not lead the impeachment move against President Andrew Johnson as most historians suggest. He did, however, sponsor the bill upon which the impeachment case rested.

Johnson had been replacing Whig officeholders with southern Confederates of the worst sort. Stevens pushed through Congress a bill requiring congressional approval of presidential hiring or firing of Cabinet members.

A letter from Cobden Club member Edward Atkinson to Treasury Secretary McCulloch attests to Stevens's character—and also what the agents themselves were up to.

I am endeavoring, in connection with some others 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 from 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.

. . . I am led to make certain suggestions to you by the rumors of a diversity of opinion between you and the President. You must now feel assured that the President's policy is dead; even any merit which his views may have had will not be recognized . . . your fame and reputation will rest on your successful administration of the Treasury. A large section of the Republicans desires to see financial and all revenue questions separated from party questions. If you have reason to do so and can separate yourself from A.J. [Andrew Johnson—A.S.] and let it be known that while you do not fully approve the action of the Congress you will submit to its decision and desire to work in harmony, you will be able to secure such support for your plans for administering the Treasury as will insure success. . . . Only give the Republicans who hold sound views on financial questions a chance to support you as the Secretary of the United States Treasury and not as a member of the present cabinet and you can almost dictate future policy. . . . I don't expect an answer to this.

The refunding bill failed in Congress.

After the election of Grant to the presidency, Special Commissioner on the Revenue David Wells was ready with his report, on which the nation was depending for a more thorough inauguration of the American System. It was released on January 5, 1869. Although cloaked in protective phraseology, the report directly attacked the American System as inequitable. British newspapers, especially the *Times*, would later say that Wells "felt his countrymen would be more willing to adopt free trade could it only be called by some other name."

The report attacked “special interests groups” and called for contraction of the currency and an end to the tariff on iron because it hurt the producers of penknives in New England. The problem of unemployment in the country was due to overproduction as a result of advances in technology, the report alleged.

Two letters written by Wells in 1867, before his trip to England, provide irrefutable evidence of his British agency. At a meeting held by the Iron and Steel Association on January 16, Wells protests,

I desire here and now, unequivocally and unreservedly, to declare that, in the British sense of the word, there is no free trade about me . . . and it has been my fortune to sit at the feet of that great teacher of political economy Henry C. Carey, and learn from him the great principles on which these doctrines are founded—the complete and universal harmony between all the producing interests of the country.

But just two weeks later, Wells wrote in a letter to the leading Social Darwinist and exponent of the British System in the U.S., Arthur Laymen Perry:

I have been intending to write you for some time past and tell you confidentially of the change which my recent intimate connection with the tariff legislation has produced in my opinions, in respect to Free Trade and protection . . . and am about prepared to place myself on the ground occupied by you and Walker. The time has not come however for me to distinctly avow my sentiments. I am accumulating a store of facts, which private individuals could not obtain, and which when made public will I think go very far toward settling our future commercial policy. To provoke opposition now, would probably close the door to some important investigations; so for the present I must work on silently. In the present discussion of the tariff in Congress, New England—and especially Massachusetts—went almost always for the most extreme propositions. There was a lack of moral courage on the part of Dawes and Boutwell . . . which prevented them from acting or speaking according to their convictions. The members of Congress from New England are, for the most part, inclined to liberal views—Boutwell is an old free trader—but they are afraid of their constituents, and think that public opinion will not sustain them in anything contrary to the requirements of the Carey school. Dawes might be punched a little for his course. . . . I urged him to come out boldly, and declare that while Massachusetts would be just and generous, yet she would not agree to endorse everything labeled protection to American industry. He however . . . made a speech in which he took the strongest ground for protection. I have written hurriedly . . . and perhaps not

clearly; but I think you will get my views in the main. Are there any documents which you wish sent you? If so let me know.

Wells wrote to Perry again on March 11, corroborating all that the Whig consul in Liverpool Dudley had warned about British plans to finance free trade clubs and promote western agitation.

I have arranged with Atkinson, Raymond of the *New York Times*, Nordhoff of the *Post*, and several writers and editors of the West that during the next six months there shall be an earnest discussion of the subject [free trade—A.S.] kept up through the papers: and a more vigorous attempt than ever made to change public sentiment, and my main object in writing you is to ask that you will commence at once and write every week an article for the *Springfield Republican* on the subject—short and pithy. Ridicule will I think be fully as effective as argument.

Before the spring 1867 session of Congress adjourned, Senator Sherman pushed through the Senate the Wool and Woolens Act which had been passed sometime before by the House. The measure as passed by the Senate afforded high duties for the wool and wool-growing industry. Wells urged President Johnson not to veto the measure because its passage opened possibilities of winning the wool growers away from supporting the protection demands of the iron industry—the old divide-and-conquer routine. Wells had prepared the nation’s free trade press for the release of his revenue report. They were ready to print and distribute thousands of copies all over the country with the aim of provoking the labor movement to oppose the “special interests of the industrialist.”

Congressman Kelley wrote to Henry Carey on January 9, 1869:

I meant to find time to ask you what you think of Wells by this time. I regard his report supplemented by Walker’s letters as the most insidious Free Trade document that has ever been published in this country. I have all along assured you that his protectionism was affected and that he meant to cause harm. I think even Greeley sees that now, though his faith in him was so great he endorsed the report unconditionally before he had read a word of it. . . .

In his report, Wells aimed straight at the humanists in the U.S. in general and Henry Carey in particular.

No nation acted on grounds of liberality or humanitarianism in framing financial legislation. Enlightened selfishness was a satisfactory basis for policy. Though other countries sought to protect industry, the method employed especially in England differed greatly from

what was called protection in the United States. The British aim is to remove burdens to cheapen cost, and reduce prices. Our method on the contrary is to levy a tax, thereby increasing cost and reducing consumption. The one method to be called a bounty to the consumer, the other a bounty to the producer; one the method of abundance, the other of scarcity or privation. . . .

The Wells plan to subjugate the U.S. economy to the British Baring and Rothschild banking houses was trumpeted in all the free trade press in the country, including August Belmont's *Democratic World*. At the urging of Belmont, Wells wrote to Manton Marble, the editor of the *World*, during the Grant-Seymore race. Wells was then writing tracts for the Grant campaign and so was being attacked in the *World*. Wells's letter concluded by saying:

Besides I shall want your aid and that of the *World* next winter, when I expect the Republicans will be about ready to hang me.

The Wells report rallied what was later known as the liberal Republicans; James Garfield, William Cullen Bryant, the Free Trade Leagues, and the Social Science Associations all began applying pressure on President Grant to name Wells as the new Secretary of the Treasury. In private, Grant's two New York merchant friends Stewart and Seligman put the pressure on too.

This latest and most dangerous coup attempt did not go unanswered by the Carey Whigs, the nation's industrialists, and the labor movement. Carey answered Wells in twelve public letters printed in the *New York Tribune*, *Iron Age*, and the rest of the nation's protectionist press.

. . . To whom, however, are to be attributed the oft-repeated misstatements by which the committee had been deceived? No name is given, but you of course refer to me, the statements thus controverted having been first published over my own signature, so early as 1851, and since then many times republished; and the committee having been misled, if misled at all, by no other than myself. To me, therefore, it is that you have thus thrown down the glove, and I now take it up prepared on the one hand to prove the accuracy of the views you have thus called in question; or, on the other, to admit of having through a long series of years misled my fellow citizens. Admit that such proof be furnished—that the "mere assertions" be now proved to be real "historical truths" fitted for even your own acceptance, where I beg to ask, will you yourself then stand? Should it chance to be proved that it is not I that am required to impale myself on the horns of a dilemma which leaves but a choice between the admission of gross carelessness on the one hand, or grosser dishonesty on the other, does it not follow necessarily that you must be compelled to

take the place you had prepared for me, and thus furnish yourself the proof required for establishing the fact that you are wholly disqualified for the office of public teacher?

To the Swedish and German press, Carey declared that Wells had been bought by British gold. In their press, William Sylvis and the National Labor Union attacked Wells as a British agent. Sylvis was particularly upset about the attempt to degrade U.S. labor to the state of labor in Great Britain.

William Sylvis was the leader of the National Labor Union which was fraternally connected to Karl Marx's International Workingman's Association. In 1866, Sylvis brought his Pennsylvania Iron Molders Union out in favor of protection. In 1867, he began printing editorial attacks on British economists in the *Chicago Workingman's Advocate*:

The whole system of political economy from beginning to end is an apology for tyranny and the whole tribe of political economists are humbugs . . . and at their head stands the prince of humbugs, John Stuart Mill.

The manufacturer, the farmer, the businessman of any kind needing money, must pay from 10 to 30 percent for the use of it. In many cases the profits of his business are less than the rates of interest demanded. To borrow would be ruinous, therefore his business must languish or, what is very frequently the case, a reduction in wages is made. This reduction does not always go into the pocket of the employer, but into that of the money lender. Thus do employer and employee suffer from this system of legal robbery called interest on money.

There were many differences between the NLU and the Carey Whigs, but they agreed on one basic point: as long as the Whigs were leading a strong fight against British credit policies, they had an ally in the labor movement.

Wells did not go unrewarded for his efforts; he was elected president of the Cobden Clubs in the U.S. The Whigs in Congress first planned to remove him from office by discontinuing his salary, but finally decided to simply let the office expire. The four years of damage done by Wells and McCulloch gave the British room to maneuver, and the nation was still without an official economic policy.

McCulloch's contraction policy toward money supply had made any attempt at southern industrial reconstruction virtually impossible. Because of the refunding schemes, the national banks had become a major rallying point for Jacksonian populism across the country which demanded an end to the funded debt.

The political-economic geometry which subsumed the debates of free trade versus protection gave the Whigs some leverage on the question of tariff legislation. Their victory in the tariff battle, afforded a modest rate of economic growth and an occasional increase in the supply of money in the face

of British determination to control the U.S. economy.

Wells did not get the Treasury post under Grant; Whig propaganda prevented the New York banker Seligman from accepting the post when it was offered; and Congress further opposed Grant's appointment of New York merchant A.T. Stewart. A compromise finally gave the post to George S. Boutwell.

The "liberals" William Cullen Bryant, David Wells, Amasa Walker, and Charles Graham Sumner, began to "Watergate" (using twentieth century terminology) the Whig influences within the Grant Administration. The 1869 Black Friday scandal of Jay Gould and Jim Fisk is probably the most notorious. The two drove the price of gold to the sky and then quickly sold their shares, collapsing the market. That gold-cornering operation was, in point of fact, run by the New York banker Seligman.

During congressional hearings—a whitewash by James Garfield—Seligman's role in the affair was downplayed: after all, he was only Gould's "broker." The affair tied in with efforts by the free traders for so-called currency and civil service reform.

In the flurry of investigations, Grant pushed through Congress the refunding scheme which McCulloch had failed to have legislated. Treasury Secretary Boutwell formed a consortium of Jay Cooke and the House of Rothschild in London, Seligman and Morton in New York, and the Baring Brothers to begin selling the U.S. debt to Great Britain. The new bond issue offered the national bankers the possibility of trading in their 5:20 bonds for the new 10:40 bonds, increasing drastically the amount of future debt the country would have to pay to the British.

Carey, Kelley, and others repeatedly warned that such a policy would only lead to a new depression. They set their sights on the 1872 elections and a Whig Congress. Kelley, especially, was relying on the working class in England to begin forcing changes in the British System.

In 1871, he wrote to Carey:

Mr. Dudley is right in his estimate of the influences British manufacturers will put forth in our next campaign. They can afford to spend several millions pound sterling to control our election. The question is vital with them. Should we elect a protectionist President and Congress in 1872, England will have to modify her revenue system and perhaps her fundamental institutions. Things in that country cannot continue as they are unless they can monopolize our markets. . . . But how shall we make those whose interests it is to secure this election understand and perform their duties? Will you not impress the importance of such contributions to the South as I propose to Mr. Wharton and all the Gentlemen who gather under your hospitable roof?

Carey then wrote to John Forney, the former Secretary of the Senate:

You are going to Washington on a business of a most agreeable kind. Let me try to add to it a little of the useful, presenting for your consideration and that of your friend a brief exhibit of what is going on around us, and of the consequences that may reasonably be anticipated from its continuance.

The country is producing too much of all the good things of life, coal, iron, food, wool, cotton, cloth, houses, etc. Why is it so? Because our financial policy is destroying the demand for labor of body and of mind and, as a necessary consequence, the power of purchase. Look where we see diminishing power of consumption and with every further step in that direction we shall hear more and more of overproduction.

For five years past the financial affairs of the country have been controlled by men in and out of the Cabinet, in and out of Congress who have been troubled with such an excess of knowledge that they could learn nothing whatsoever. For years they howled contraction. Finding that not the answer they now howl resumption not seeing that by thus destroying confidence they are daily making it more and more impossible that we should resume. Sangrado like, they have bled the patient until he can scarcely stand, and now deny him food until he shall prove his ability to walk. Free banking is, they say, a good thing and we shall be allowed to have it after resumption, yet are they daily diminishing that power of production to whose increase alone can we look for power to resume the use of the precious metals. This is a great country, but it is at this moment governed financially by as small a set of charlatans as anyone has yet produced. Some of them read books and imagine they are learning something, but, as the farmer said, the more cows his calf sucked the greater calf he grew.

Their policy is now, as we are told, to be endorsed by our friend Blaine, who is to place one of them at the head of the Ways and Means, and another at that of the Currency Committee. Should this be done it will as I believe result in the ruin of the Party and of the speaker himself. Three years since all looked to the inauguration of Grant as to the reinauguration of that confidence without which there can be no activity of circulation, nor increase of strength. So far the reverse has been the case, the country having been becoming from day to day more paralyzed.

The *Tribune* has this moment brought me Amasa Walker's letter advocating the establishment of a great monopoly bank in New York. [Seligman was planning to open a house modeled after the London House of Rothschild—A.S.] He should and I presume is well paid for writing all the nonsense of which he has made himself the father. Such men can afford to spend their winters in Washington, but those who have no private axes to grind cannot.

The policy of the next 20 years will probably be

decided in the first week of March and by the speaker's fiat. Can you not see and talk with him on the subject? What shall then be done will probably be determined by the question as to whether England or America shall rule the world.

For his role in pushing the refunding and related measures through the U.S. Congress, Jay Cooke won an agreement with the Rothschilds to help fund his Northern Pacific Railroad project. Former Secretary of the Treasury McCulloch was dispatched to England to set up Cooke's banking house there.

Regardless of his connections, Cooke was an entrepreneur at heart. He poured capital into the development of the roads, the iron industry, and the rails, hoping that McCulloch and the Rothschild and Baring bankers would be able to dispose of their share of the bonds that were floated for the project at a later date.

When the books were opened for the sale of the bonds, neither the Rothschilds nor the Barings sold their bonds. Overextended, the House of Cooke collapsed in 1873, setting the stage for the collapse of 1876.

The Heritage of the Civil War

The Whig fight continued into the twentieth century. The concessions they won made this nation the greatest industrial power on earth.

As early as 1871, the Pennsylvania Congressmen Kelley and Moorehead began lobbying for congressional funding of the 1876 celebration of the U.S. Centennial. They saw the Centennial fair as a means to develop the nation's resources and to bring into practical use its inventions in spite of growing British control of the finances. The measures were opposed by the liberal senators and congressmen from New York and New England. The 1871 Congress refused to fund the fair, but, as former California Governor Ronald Reagan is fond of telling the story today, the 1876 Centennial Celebration gave the nation the electric lightbulb, the elevator, and numerous other inventions, and mechanical and industrial improvements. These advances in technology were the net result of the American System battles the Whigs waged in Congress.

The free trade papers of William Cullen Bryant and others were cynical of the Centennial fair, printing poems like the following by the transcendentalist James Russell Lowell:

Columbia puzzled what she should display
Of True home-make on her Centennial
Asked Brother Jonathan; he scratched his head,
Whittled a while reflectively, and said,
"Your own invention, and own making too?
Why, any child could tell ye what to do;
How all men's loss is everybody's gain;
Show your new patent to increase your rents
By paying quarters for collecting cents;
Show your short cut to cure financial ills
By making paper-collars current bills;

Show your new bleaching-process, cheap and brief,
To wit; a jury chosen by the thief;
Show your State Legislatures; show your Rings;
And challenge Europe to produce such things,
As high officials sitting half in sight
To share the plunder and to fix things right;
If that don't fetch her, why you only need
To show your latest style in martyrs-Tweed;
She'll find it hard to hide her spiteful tears
At such advance in one poor hundred years."

The 1876 Centennial Celebration and the new technologies displayed proves a lie the much touted analysis of the historiographers—and economists like Milton Friedman in his *Capitalism and Freedom*—that the nation became the industrial powerhouse of the world not because the Whigs fought for a policy of protection and credit for industry, but because the British ideology of *laissez-faire* emerged victorious. The celebration clearly unnerved the Rothschilds who, during the height of the fair's activities—and the depression of that year—made a point of sending to President Hayes's Secretary of the Treasury, John Sherman, a little note explaining that they would not buy government bonds on the basis of "speculative activities" as they had lost money before on such enterprises.

America's battle against Britain during the Civil War period left the nation a heritage, a commitment to fully develop and utilize the industrial potential of the U.S. Yet, to the extent that British monetarist control over the credit mechanisms of the country was allowed to remain intact, the war was not won. If the American System is not now restored, adherence to British economic policy threatens to plunge the nation and the world into thermonuclear disaster.

Henry C. Carey

The Harmony of Interest

Henry Carey first published this pamphlet in 1851, after compiling the series of articles he had written for the Plough, Loom and Anvil, a newspaper published by his associate William Skinner and intended largely for circulation in the South and West. The selection which follows is from the last article of the series and served as a rallying cry for the restoration of the American System.

Two systems are before the world; the one looks to increasing the proportion of persons and of capital engaged in trade and transportation, and therefore to diminishing the proportion

engaged in producing commodities with which to trade, with necessarily diminished return to the labour of all; while the other looks to increasing the proportion engaged in the work of production, and diminishing that engaged in trade and transportation, with increased return to all, giving to the labourer good wages, and to the owner of capital goods profits. One looks to increasing the quantity of raw materials to be exported, and diminishing the inducements to the import of men, thus impoverishing both farmer and planter by throwing on them the burden of freight; while the other looks to increasing the import of men, and diminishing the export of raw materials, thereby enriching both planter and farmer by relieving them from the payment of freight. One looks to giving the products of millions of acres of land and of the labour of millions of men for the services of hundreds of thousands of distant men; the other to bringing the distant men to consume on the land the products of the land, exchanging day's labour for day's labour. One looks to compelling the farmers and planters of the Union to continue their contributions for the support of the fleets and the armies, the paupers, the nobles, and the sovereigns of Europe; the other to enabling ourselves to apply the same means to the moral and intellectual improvement of the sovereigns of America.* One looks to the continuance of that *bastard* freedom of trade which denies the principle of protection, yet doles it out as revenue duties; the other to extending the area of *legitimate* free trade by the establishment of perfect protection, followed by the annexation of individuals and communities, and ultimately by the abolition of custom-houses. One looks to exporting men to occupy desert tracts, the sovereignty of which is obtained by aid of diplomacy or war; importing men by millions for their occupation. One looks to the *centralization* of wealth and power in a great commercial city that shall rival the great cities of modern times, which have been and are being supported by aid of contributions which have exhausted every nation subjected to them; the other to *concentration*, by aid of which a market shall be made upon the land for the products of the land, and the farmer and planter be enriched. One looks to increasing the necessity for commerce; the other to increasing the power to maintain it. One looks to underworking the Hindoo, and sinking the rest of the world to his level; the other to raising the standard of man throughout the world to our level. One looks to pauperism, ignorance, depopulation, and barbarism; the other to increasing wealth, comfort, intelligence, combination of action, and civilization. One looks toward universal war; the other toward universal peace. One is the English system; the other we may be proud to call the American system, for it is the only one ever devised the tendency of which was that of *elevating* while *equalizing* the condition of man throughout the world.

* Russia is now raising by loan five millions of pounds sterling to pay the expenses of the war in Hungary. The farmers and planters of the Union are the chief contributors to this loan.

Such is the true *mission* of the people of these United States. To them has been granted a privilege never before granted to man, that of the exercise of the right of perfect self-government; but, as rights and duties are inseparable, with the grant of the former came the obligation to perform the latter. Happily their performance is pleasant and profitable, and involves no sacrifice. To raise the value of labour throughout the world, we need only to raise the value of our own. To raise the value of land throughout the world, it is needed only that we adopt measures that shall raise the value of our own. To diffuse intelligence and to promote the cause of morality throughout the world, we are required only to pursue the course that shall diffuse education throughout our own land, and shall enable every man more readily to acquire property, and with it respect for the rights of property. To improve the political condition of man throughout the world, it is needed that we ourselves should remain at peace, avoid taxation for the maintenance of fleets and armies, and become rich and prosperous. To raise the condition of woman throughout the world, it is required of us only that we pursue that course that enables men to remain at home and marry, that they may surround themselves with happy children and grandchildren. To substitute true Christianity for the detestable system known as the Malthusian, it is needed that we prove to the world that it is population that makes the food come from the rich soils, and that food tends to increase more rapidly than population, thus vindicating the policy of God to man. Doing these things, the addition to our population by immigration will speedily rise to millions, and with each and every year the desire for that perfect freedom of trade which results from incorporation within the Union, will be seen to spread and to increase in its intensity, leading gradually to the establishment of an empire the most extensive and magnificent the world has yet seen, based upon principles of maintaining peace itself, and strong enough to insist upon the maintenance of peace by others, yet carried on without the aid of fleets, or armies, or taxes, the sales of public lands alone sufficing to pay the expenses of government.

To establish such an empire—to prove that among the people of the world, whether agriculturists, manufacturers, or merchants, there is perfect harmony of interests, and that the happiness of individuals, as well as the grandeur of nations, is to be promoted by perfect obedience to that greatest of all commands, “Do unto others as ye would that others should do unto you”—is the object and will be the result of that mission. Whether that result shall be speedily attained, or whether it shall be postponed to a distant period, will depend greatly upon the men who are charged with the performance of the duties of government. If their movements be governed by that enlightened self-interest which induces man to seek his happiness in the promotion of that of his fellow-man, it will come soon. If, on the contrary, they be governed by that ignorant selfishness which leads to the belief that individuals, party, or national interests are to be promoted by measures tending to the deterioration of the condition of others, it will be late.