1933

The Federal Constitution and Its Application, 1789 to 1933

William E. Dodd

Repository Citation
http://scholarship.law.wm.edu/cutler/12
BULLETIN

The COLLEGE of
WILLIAM and MARY
in VIRGINIA

The Federal Constitution and
Its Application, 1789 to 1933

WILLIAM E. DODD
Professor of History, University of Chicago

FIFTH LECTURE ON THE
CUTLER FOUNDATION

Entered at the Post Office at Williamsburg as second-class matter.
Issued January, February, April, June, August, November
The COLLEGE of
WILLIAM and MARY
in VIRGINIA

The Federal Constitution and
Its Application, 1789 to 1933

WILLIAM E. DODD
Professor of History, University of Chicago

FIFTH LECTURE ON THE
CUTLER FOUNDATION
I.

SINCE the acknowledgment of American independence there have been three great crises. The first of these came after the peace of 1783 when the total returns from exports were less each year than the interest on the debts incurred in the revolutionary struggle. The only means of solving what seemed to be an insoluble problem was the adoption of a Federal constitution which might guarantee cooperation and even control over the unruly States. That crisis was ended, as all the world knows, in the series of compromises drafted in Philadelphia in the summer of 1787 and adopted in 1788. The second crisis came in the winter of 1860-61 when the lower southern states seceded from a Union which all the thirteen old, and nearly all the new, states had agreed at one time or another to be voluntary. The economic rights of the planters as well as those of the planter states were in jeopardy in 1860. Secession seemed to be the remedy. But if secession meant the permanent closure of the Mississippi to the vast region above the mouth of the Ohio, there was apt to be war. Likewise if secession meant the loss to the North of the
commerce of all the tobacco, cotton and sugar states, there was apt to be resistance if not war induced by the industrial states. The then President concluded too early, as he later allowed, that war, initiated on the part of a Union which had no right to coerce a state, was the only solution; and the second great American crisis took the form of civil conflict.

The third dilemma is now upon us. It is the reckoning day of all the industrial countries of the world, a crisis that grips everybody from the plains of Saxony to the hills of Minnesota; and war offers no solution. It is an economic tangle which involves all the winnings of modern civilization, a situation which, if not handled as courageously as that of 1787-88, is apt to move us all backward toward the primitive life in which our forebears lived two hundred years ago. Perhaps a closer scrutiny of the ways men worked out the first impasse, an honest review of the blunders of war and reconstruction, and an analysis of the present economic revolution may suggest moves and attitudes that might help the country out of the dilemma which covers the earth.

II.

To make the matter clear it must be recognized that all constitutions and treaties are but
compromises involving interests, prejudices and social purposes of the parties concerned. There is nothing about a constitution or a treaty more sacred than the rights and interests of the people concerned; and any concerted effort on the part of any group operating under a great social compact to take advantage of its partners and thwart the purposes of the agreement is hardly less reprehensible than an open crime. Men must be honorable if they would avoid catastrophe. In view of this obvious truism let us state briefly the purpose and the spirit of the Federal constitution and the plain understandings of its great authors as well as its patriotic opponents.

There was a situation in 1785-87 which led men to covert practices. The preliminary conferences to the general convention of 1787 were themselves contrary to the spirit and the clauses of the old Confederation. And if the state legislatures had been asked in the winter of 1786-87 to grant plenary powers to the delegations that gathered in Philadelphia the next May, these powers would surely have been denied. The convention was authorized to amend the constitution of the Confederation. Instead it wrote a new fundamental law and, upon the prestige of the men who thus transcended their powers, the states were asked to
scrap the old law and substitute an entirely new system. The stern necessity of the hour was their excuse.

The next constitution involved three points which have significance for those of us who think of possible ways out of an even more exasperating complex—more exasperating because the unemployed could then go to the wilderness and live off the beasts, the fowls and the fishes, and because American men had not then lost their sense of personal dignity and the needful faith in one's ability to support one's self. The first of the great compromises agreed upon in Philadelphia was a balance of the states and sections in such a way that no group was supposed to be able to overbear another; that is, the Federal power extended to the point of cooperation but not to coercion. The second item of the agreement was that commercial arrangements might be fixed in the congress upon a majority vote, but such arrangements must not be allowed to become repetitions of the old British mercantile system (1660, 1663 and 1673) which had been a major cause of two revolutions, 1688 and 1776. In the hope of giving the agricultural states some guarantee of this, three-fifths of the Negroes in the South were to be counted in the allotment of representatives. Even more was allowed: the Caro-
Louisiana and Georgia might import slaves for twenty years and thus add to the social power of that region. Any intimation of a tariff like that of 1828 would have defeated the whole scheme. With states remaining sovereign and the commercial instinct duly curbed, there remained a third item in the agreement: powers not actually granted to the Federal combination could never be assumed and made operative in law.

With these elements in the complex situation duly guarded, the new constitution was hastened to the states about the middle of September, 1787. It was a momentous issue. George Mason, Washington’s neighbor and co-worker through the revolutionary struggle, took his seat for Fairfax county in the assembly in Richmond in October and prevented a premature discussion of the new constitution in order that the matter might go before the people of Virginia without prejudice next March. He wrote Washington every week. Edmund Randolph, governor of the state, published a pamphlet which advised against adoption without serious amendment. Patrick Henry restrained himself that autumn with great difficulty. In Pennsylvania Benjamin Franklin, next to Washington the greatest influence in the success of the Revolution and then governor of the Quaker state,
opposed adoption without amendment; and the people of Pennsylvania were more apt to follow their greatest philosopher than any other leader whatsoever. In New York George Clinton, by far the most popular of the chiefs of that state, agreed with Mason and Franklin. All these men had rendered such high services in years past that no one might discount their motives. Mason was in no sense a self-seeker; Franklin was in the last phase of his long life, and George Clinton, while more of a politician than the others, was far more than a demagogue. Virginia, Pennsylvania, and New York: If either of them failed to adopt, the Union was almost certain to fail. Moreover these were states with growing, expanding and democratic populations. About half the people of the country lived within their borders.

What Mason feared in the new constitution was the likelihood that the commercial states would re-enact the system which the English had tried to enforce since 1660—high tariffs on imports and domestic market privileges that would subject the agricultural states to unjust direct and indirect taxation. The master of Gunston Hall was equally fearful that the Federal courts would overrule state laws and approve the usurpation of powers by the Federal government not granted in the constitution.
The idea of a great industrial belt with huge cities, absorbing the marginal savings of the country as London had done for England and the junkers, agricultural and industrial, were to for Germany, was to him a nullification of the very purposes of the Revolution. A Federal government dominated by a privileged group would be a new British empire erected on the soil of democracy. Moreover, he was very fearful of the consequences of the constitutional privilege of importing slaves the next twenty years. Like Jefferson and Franklin, he wished to abolish the institution, even though he owned two hundred Negroes. A wide-spreading democracy with independent economic and social centres all over the country was the one hope of the future for him; a balanced economic system was the essential fact in American life. What the founders of the United States sought was a vast union composed of free, self-directing individuals. Nor had they arrived at this conclusion through personal or group interests. George Mason was one of the first thinkers of the time, entirely conversant with the history of the long English struggle for a more just social order. And Benjamin Franklin was of the same mind and immensely popular all over the world. Edmund Randolph, still the governor of Vir-
ginia, and George Clinton, not to be overlooked, were also in accord with this philosophy.

On the other side was George Washington who in 1765 broke with his patron, Thomas Lord Fairfax, and his near neighbor, George William Fairfax, the most powerful men in the Northern Neck of Virginia at that time, and showed Patrick Henry and Richard Bland how to defeat the Stamp Act. He and Mason, as I have indicated, worked together till the adjournment of the Federal convention. At that time the master of Mount Vernon and the one great military figure in the country, grown doubtful of the democracy he had saved, took the view that adoption of the work of the convention immediately and without serious amendment was the only alternative to anarchy. He was the only man in the South whose popularity was equal to a great conflict with Mason and Henry; he was the only man who could rival Franklin in the Middle States. He first grew nervous, then suspicious. When the eighteen members of the Pennsylvania legislature broke the quorum of their assembly (September, 1787) rather than issue a call for a constitutional convention and offered a series of amendments on which they would cooperate, Washington wrote that Mason had probably counselled the revolt. When the Virginia legislature instructed
Governor Randolph to communicate with Governor Clinton in order that those states might cooperate to secure desired amendments, the communication was pigeon-holed, and Washington was informed of the significant fact—secret change of Randolph’s attitude. Mason was left in ignorance of the changed position of the governor. When the master of Gunston Hall returned to his home there were reports that his efforts in the recent session to prevent plural voting of townspeople on neighboring freeholds and his attitude on amendments to the new constitution had made him very unpopular, above all in the little city of Alexandria where Washington’s influence was supreme. It was said that he would be mobbed if he appeared in the town. He accepted the challenge and spoke there before a large audience, arguing his case as only a great and disinterested leader could argue. Not a hand was lifted against him.

It was clear that the long friendship between the master of Gunston Hall and the master of Mount Vernon, representatives of Northern Neck families whose chiefs had worked and fought together a hundred and twenty years, was broken. It was a near-tragedy. Both men were great planters and great slaveholders; and both of them were profoundly concerned with the fate and destiny of the country they
had done so much to create. The older of them hoped and worked now for better guarantees of democracy; the younger thought less of democracy and labored incessantly for a great consolidated state. In the hope of counteracting rumors Mason wrote Washington that winter; no reply has been printed in their published works. Later Mason called in person at Mount Vernon; there is no mention in Washington’s diary or letters of such a visit or a return courtesy. Both great men declined to run in Fairfax county for the Virginia constitutional convention; but Mason was elected without recorded effort on his part from Stafford county and Washington made invidious mention of the fact and of the rumor that Mason might easily have been elected for two other counties. Mason and Henry and Thomas Jefferson, then far away in Paris, wished the new constitution to be adopted but only on condition of its radical improvement; Washington, young James Madison and John Marshall fought for adoption with or without guarantees, so there was no delay. It was an honest conflict of the best men of a great day and a great state; and the decision of Virginia meant the success or failure of adoption in the country. Few greater issues in modern history have been determined on the basis of more honest convictions.

[ 12 ]
When the convention met in Richmond the opposition in the state was increasing, although the Federalists were able to elect David Robertson, an avowed partisan, reporter of the debates. The battle of the giants began. The vital differences as to the social purposes of the constitution sharpened. Madison and Marshall sneered at the thought of Federal coercion of states; they declared that no Federal court would ever dare to usurp powers over state courts; and there could be no danger of a new mercantile system under which the wide agricultural regions of the South and West would be exploited. Washington was known to stand behind the brilliant young leaders of nationalism. But Mason and Henry fought to the last for the ideals of 1776 and (the Morrices and James Wilson, of Philadelphia, having defeated Franklin’s candidacy for a seat in the Pennsylvania convention) turned to Clinton of New York for cooperation. They failed to delay adoption; but they secured agreement to a series of limiting amendments. It was only upon a margin of five votes that the great document was accepted in Virginia, only upon the solemn understanding that the spirit of the law as well as the law itself would prevail—that is, no section would be countenanced in attempts to monopolize economic power for sectional or class
purposes. Governor Randolph had delayed messages from New York till the decision had been made and he had otherwise maneuvered against his former friends. As Mason went home in sorrowful doubts as to the future of democracy in America he wrote to a friend that Randolph was but another "Benedict Arnold."

The friendship between Gunston Hall and Mount Vernon was broken forever. Since Washington replied to no letters and returned no visits, Mason did not appear to say farewell and God-speed to his life-long co-worker when he set out sadly in April, 1789, to take up the reins of the great new American government whose principles were still thought to be those of 1776 and whose influence was spreading over Europe like an irresistible prairie fire with Washington's and Mason's friend, Thomas Paine, preaching the new gospel in pamphlets that sold by the hundred thousand, including always the Virginia bill of rights—an American *Magna Carta*.

III.

The honest and able general of the American Revolution with a new congress before him and clever cabinet around him, including Jefferson, Hamilton, and the dubious Randolph, turned his mind to the more difficult task of directing
the course of politics over the widest area on which democracy had ever been applied. Neither Mason nor Henry could be induced to take seats in the senate; Willie Jones of North Carolina, the most powerful man south of Virginia, would never take office under the new regime; Franklin was then upon his deathbed in the city of “Brotherly Love”; and old Sam Adams looked on from Boston wondering whether the new power setting up in New York, April 1789, was to be more coercive in economic matters than old England had been under the ministry of Lord North. The fifty-eight year old Washington, like William III of England, tried to work the young idealistic Jefferson and the still younger and imperialistic Alexander Hamilton in the same team. On the other side of the Atlantic, where the American fate had been decided in Franklin’s French treaty of 1778 and again brought into doubt in the unwelcome treaty of 1783, the revolution moved in rapid strides toward violent extremes. The names of Washington, Franklin, Jefferson and Paine were more compelling amongst common men than the names of kings or prime ministers had been in a hundred years. The eyes of the world were upon the little group that sat in New York the summer and autumn of 1789.
LaFayette sent the new President the key to the Bastille!

The first trade act of the new regime was true to the great compromise. Its terms did not conduce to monopoly, as had been the case in most other tariffs till this day, but every section labored for its share of possible spoils. The eight percent customs duty would yield a yearly income half as great as the interest on the hundred millions of war debt, state and Federal. Would direct taxes be paid by the citizens of states who could not bear their local burdens and by farmers who could not then sell their crops either in English or French markets? The prospect was not unlike that of 1765—if heavy direct taxes fell upon all, what better lot than that which Bute and Townshend had decreed? Neither the optimist, Jefferson, nor the mercantilist, Hamilton, saw a clear way to success; and without success the constitution would fail, like the League of Nations of our day.

A year had not passed before semi-famine in France and the fears of war in other European countries had pulled down the bars against imports into Europe. In two years the volume of exports quadrupled and in four years the modest tax on imports yielded an income eight times as great as had been expected. All
Europe was at war and so long as Europe warred the United States flourished beyond the imagination of the most optimistic. It was the opportunity of history—one of the chapters of accident which have so profoundly affected human affairs. Under a constitution of the most delicate balances, and adopted with the most solemn guarantees against all sectional or class advantage, the application of the first tariff was delayed so that merchants of all the middle and eastern cities might take their enormous orders out of the warehouses before customs fell due—considerable fortunes thus given by governmental decree to scores of mercantile folk. The debts of all the states were added to the Federal debt and in the process many and flagrant injustices were openly allowed, with secret runners carrying the news of future action to prospective beneficiaries—other fortunes given to preferred folk. All the written evidences of the Revolutionary debt, then collected at low prices in a few hands, were redeemed at face value. Virginia had paid the largest part of her debt out of her own meagre funds at twenty-five cents on the dollar. Her people received no consideration from any of the above named moves. The continental currency was redeemed at one cent on the dollar. And finally the Secretary of the Treasury, boast-
ing that a national debt was a national blessing, set up the First National Bank. In this way order was brought out of the old chaos and American money was better than British sterling. It was a great era. Enormous incomes from unexpected exports; departments of the Federal system worked like departments of the British government; a bank of the United States functioned like the Bank of England; and terrible wars all over Europe gave the markets which sustained the system. Washington could hardly avoid boasting of the unexpected prosperity which looked out from every farm and every hamlet in the new nation. Gouverneur Morris intrigued in Paris against the French revolutionists to whom he had been sent as minister; Robert Morris speculated in bonds and stocks, lands and buildings; and John Marshall pressed a great lawsuit (himself a party to it) to compel the state of Virginia to return the vast Fairfax acres to English claimants, exiled tories of the Revolution. Could Virginia be compelled to take lands away from the soldiers who were making their homes on lands they had won on the battlefield? Was the treaty of 1783 to be made valid, a treaty as unpopular in young America as the Versailles treaty in Germany? There were many reasons for a patriotic President to pause in 1792. Had the consti-
tution been violated? There was no clause to cover a National Bank. A citizen of South Carolina sued the state of Georgia for the face value of a paper bill and the Georgia supreme court denied the suit. Would the Federal Supreme Court go to the aid of the South Carolinian against a sovereign state? There was the solemn treaty with France of 1778 under which American independence had been won. That treaty required the United States to lend all possible aid to Frenchmen warring against England. Would Washington observe the terms of a treaty which the constitution had made a part of the supreme law of the land? Hamilton, aided as few statesmen have ever been aided by adventitious circumstances, claimed all the advantages of implied powers and all the benefits of an amazing foreign trade, set up a wondrous speculation which enriched tens of thousands of deserving and undeserving men; and the First National Bank set the example of sharp practices and fortune-giving which has operated in national banking till this day. But the fame of "the greatest Secretary of the Treasury in history" covered all, and financiers, as well as others innocent of history, cite the success of that day as proof of the bankers' right to profiteer. The spirit of 1776 was gone. A group of privileged individuals
was beginning in the name of the new constitution what the three or four score men about Charles II had done under the mercantile policy of England; the Earl of Shaftesbury, Sir George Carteret, the two Berkeleys, and their kind, were not unlike Alexander Hamilton, the Morrises and John Marshall.

In middle Pennsylvania, on the banks of the Ohio, in Kentucky, Tennessee, and over most of the South men named their towns Paris, Versailles, Bordeaux, and the like. In New England where men had formerly hated Britain with unparalleled animosity, the British were admired and the French allies hated; the South still hated Britain and admired the French. Washington said that democratic New England had turned aristocratic and the aristocratic South had gone wild with democracy. Would the great compromise last? When in 1793 the French Minister, Genêt, asked the privilege of doing in American ports what Franklin and Paul Jones had done in French waters, Washington answered in the negative—violating the spirit and the terms of the treaty of 1778; and there was an outcry unmatched since April, 1775. The popularity of the President was eclipsed. A fame unmatched in modern history went under a cloud and there remained till the hand of death restored it six years later. The great
general who had broken the British empire with the aid of France now gave assistance to British imperialists in their twenty-year war to break revolutionary France. The tide of democracy in Europe and America was stopped: Napoleon put a master's hand on France; and the young United States of America enacted alien and sedition laws in harmony with English reactionary policy and contrary to the spirit of both Federal and State constitutions. Jefferson had gone into retirement and Madison abandoned his great friend in the Executive Mansion. The young American democracy was ashamed of the radical creed of 1776.

IV.

Thirty years passed. There was another privileged group rising in the lower South. The New England inventor, Eli Whitney, had shown cotton planters how to profit from a new agriculture beyond anything that Hamilton had imagined from his mercantile and financial operations. English and American Christian ministers were showing the poor heathen everywhere that they were naked and that they ought to put on cheap, gay cotton clothes. Cotton in the lower South quickly came to be what tobacco had been to ancient Virginia, arbiter of war and peace. George Mason, who had warned against
slavery, was silent in the family vault at Gunston Hall, and his great neighbor lay in a similar vault at Mount Vernon. Their contradictory fears and their warnings were no longer effective. Thomas Jefferson, an old man at Monticello, again urged the gradual abolition of slavery in Virginia, which must have meant abolition in Kentucky and Tennessee and a definite limitation of the rising Cotton Kingdom. After his decease in 1826, his grandson fought the same fight until death silenced him. George Mason, Thomas Jefferson and Thomas Jefferson Randolph were about to become discredited figures. In the ambitious lower South there stood the ardent and able John C. Calhoun. He spoke the language of planter privilege and rallied a vast region from eastern North Carolina to western Louisiana to his side. In Boston there was the marvelous Webster, son of New England privilege but recently engaged in threats of breaking Washington’s Union. He was as ready, if not as clever, as Calhoun to bend the national constitution to cover the interests of his set and section. Were the solemn promises of Madison and Marshall, supported by Washington, in the Virginia convention of 1788 ever to be applied? Was there no obligation to observe the spirit of compromise, remove the menace of privileged groups and make the con-
stitution cover the purposes for which it had been written?

When the decisive moment came, once more in Richmond, there gathered a hundred men and leaders, the ablest body of Americans that had sat down together since 1787. Madison was there. Marshall, who had lost his great Fairfax law suit because of Madison, was also there. They did not love each other. James Monroe, last of the “Virginia dynasty,” presided. Littleton Tazewell was pointed out as the man whom President Jackson had snubbed. Abel P. Upshur, who talked the language of Darwin, represented Accomac county. Philip Doddridge, a close friend of John Quincy Adams, spoke for the Wheeling district and William O. Gordon of Albemarle stood strong for the Jeffersonian demand that slavery be gradually abandoned. Only once or twice in American history has there been a convention so important in determining the fate of the United States. If the Mason-Jefferson ideal of the American constitution were revived, the Virginians would ally with the middle west and block the mercantile system which Webster, Pennsylvania, and the second United States bank represented and which was about to assume more of the character of a great monopoly than that against which Washington had gone to war in 1776. Thus the wide-flung
Cotton Kingdom, with its world market, warred against a new industrial realm which must rule the Union and dominate the domestic market. Virginia would decide.

As the decisive day approached, all the country looking on, Robert Taylor of Norfolk, advocate of the Jefferson policy, was compelled to resign; the misguided people of Norfolk demanded it. James Monroe, instructed by Lou- doun county to vote for the same programme, recanted in a strange speech about the French revolution and retired from the convention; and curiously enough, having aided the cause of Calhoun in Richmond he journeyed to Washington to aid Jackson in discrediting the South Carolinian! Abel P. Upshur made the ablest speech of the whole convention for a privileged social order, on the ground that history proved that the law of the survival of the fittest must prevail; the slaveholders were the fittest—Hamilton's "rich, wise and good" people. To abandon the decree of history was to wander in a social wilderness. The editor of the Richmond Enquirer yielded his life-long advocacy of the gospel of Monticello and thus prevented the establishment of a rival party journal in Richmond. James Madison, worn with age and tired of bitter controversies, agreed with John Marshall as he had done in 1788, and
caused the verdict to fall on the side of the cotton planters. It was the last great decision but one in Virginia history and the greatest of Virginians made the choice. Within two years the departed sage of Monticello was denounced as a mere dreamer and Thomas Jefferson Randolph fought his last fight for gradual abolition. A new gospel was submitted for that of the Declaration of Independence. It was the work of the learned Thomas R. Dew who declared with Upshur that men must ever be governed by the privileged few, that slave-holding was the basis upon which the noblest social structure of all time was being erected. A carefully organized and stratified society would fix every man in his place and poverty itself would cease. The former cooperation between the farseeing leaders of the Old Dominion and the rising Middle West was definitely broken. The region that was to produce in two decades two of the greatest advocates of the Jeffersonian system, Abraham Lincoln and Stephen A. Douglas, must seek allies in the unsympathetic commercial-industrial East. The votes of the Ohio-Illinois country would soon be numerous enough to grant the industrialists of the East a greater navigation and industrial system than any other country had ever endeavored to fix upon the masses of its people.
Andrew Jackson fought blindly his great battle with Nicholas Biddle, a second if less clever Alexander Hamilton, and at the end of a temporary, speculative recovery from the drastic depression which had followed the fall of Napoleon, broke the power of centralized, exploitive financiering. With the collapse of the Second National Bank, depression, evident in the low commodity prices from 1818 to 1846, seized again the financial-industrial minorities; and bankruptcies, defaults, state repudiations from Mississippi to Michigan and from Illinois to Pennsylvania put scores of thousands out of employment and started again the migrations from East to West and from the older South to the contested plains of Texas. The political-economic map of the country was kaleidoscopic. No one could say whether the 1788 objectives of Mason and Franklin or the promises of Washington, Marshall and Madison would finally prevail. In the lower South somewhat more than two million white folk, with “mudsills” of near two million slaves underneath their economic structure, demanded the privilege of governing the fifteen million people who composed the rest of the Union, and they urged anew the privilege of importing blacks from Africa. Ten thousand a year were smuggled into the cotton states; and the greater the number of imported Negroes,
the greater the number of representatives of the region in the national congress. As the beneficiaries of slave importations raised their heads higher and more proudly in national assemblies, the beneficiaries of the growing industrial monopoly of the East demanded the concession of higher and higher tariffs in the hope of reaping greater and greater rewards from the American market. The two groups were coming to the mastery of their parts of the Union and one day the masses of forgotten men in the West would be compelled unwillingly to take sides and fight a bitter war to escape the consequences of a break-up of the Union. Thus the constitution was about to be captured a second time by one of the two minority groups whose leaders knew exactly what they wanted.

The issues merged into the inevitable conflict of 1860 when, after six years of bitter controversy, the old conservative Democratic Party, founded by Jefferson but controlled by the leaders of the lower South, broke into segments and gave the new Republican party a plurality of the popular, and a majority of the electoral votes. Forty per cent of the electorate thus set up the new regime; about twenty per cent of the same electorate talked secession as a remedy for their prospective ills. Abraham Lincoln knew little of that past of his country so necessary to

[ 27 ]
any statesman; but he was an able, honest leader of the rising Northwest, with seven and a half million white people unwilling to be governed by four million white people of the South. The Republicans called themselves the heirs of Jefferson. The successors of Calhoun were really the followers of Hamilton, a wealthy minority with trained leaders. Without awaiting the inauguration of Lincoln and the conferences and compromises that must have followed, South Carolina seceded from the Union, as she had a right to do, and sent a committee to Washington to settle outstanding claims. She would take over her forts and appeal to the cotton; sugar and tobacco communities to join her in setting up an ideal nation, based on the philosophy of Upshur, Dew and Calhoun. It was to be the best government in the world. The masters of plantations and the philosophers, whom the plantations produced, were to speak for and guide the masses of white men and both own and discipline the four million blacks, so much in need of discipline and control. Mason and Franklin and Jefferson had lost in the South. Would they win at last in the North?

Abraham Lincoln thought of the constitution more in the terms of Mason, Franklin and Jefferson than his unnatural allies, William H. Seward, Thurlow Weed and Simon Cameron, of the
industrial East. Never was a President of the Union in so difficult a position. Heeding more the words of Lyman Trumbull, Benjamin F. Wade and Zachary Chandler, all ignorant of the great traditions and the toilsome work of 1776-1789, he made a hasty decision when he heard of South Carolina's unwise act, and gave warning to the Senate of the United States that no compromise whatsoever should be made, a decision which overwhelmed him with sorrow during the two years that followed. Elected on a margin of three per cent of the votes of his own section, he boldly declared against all compromise as if all constitutional governments were not compromises. On April 6, 1861, when Jefferson Davis, a hesitant secessionist, was at the head of a confederacy of lower Southern States, Lincoln renewed the decision of the preceding December, although only two members of his three-factioned cabinet supported him in this second assertion of a kind of unionism the constitution did not sustain. Half aware of the story of modern times, which showed how many and terrible are the risks of war, he plunged the masses of people, nine-tenths of whom were opposed to the coercion of one section by another, into the bloodiest conflict then known to modern history. But having gone so far on behalf of his western ideal
of national unity, he had no other course to pursue.

All the world knows the outcome; but not even historians know or appreciate the narrow margins or the fatal compromises on which victory turned. In the summer of 1862, the imminence of English recognition of the South was so clear that Lincoln freed all the slaves where he had no power to free them in the hope of satisfying Richard Cobden and his allies and at the same time embarrassing the enemy. It meant the abolition of two or more billions of southern property, in the event of victory—a performance which Lincoln and every member of congress, but one, had declared unconstitutional in July, 1861. It delayed and defeated, however, the policy of the pro-southern English; and without the application of this "war-power" the Union would almost certainly have been lost. The next and an even greater decision came in the creation of a third national banking system. The most popular act of the whole Jackson era had been the destruction of the Second National Bank; and nothing was more unpopular in Lincoln’s region in 1863 than the idea of a new national bank. But Federal bonds sold at such a discount in 1863 that Horace Greeley and Jay Cooke could urge men to buy them and make forty per cent net when
the war ended and their holdings were paid in gold. Bankers everywhere doubted the ability of Lincoln to win the war. Their interest in the cause was won, however, in the establishment of the third national banking system—a scheme which enabled men with margins of profit to organize banks in every city, purchase United States bonds at a heavy discount and then issue bank notes up to ninety per cent of their face value. Everywhere men doubled and quadrupled their capital the next three or four years. Financiers, American and European, thereafter lent a hearty support to the “greatest democrat of the age.” Within ten years the bankers procured hostile legislation against state banks and gradually organized themselves into an association which was able in the decades that followed to guide the savings of every section into the vaults of New York banks. Nor was there any strict governmental supervision of a system in which the surpluses of the whole Union were so deeply involved. The financiers had at last acquired a position in the Federal economy which far surpassed that of Nicholas Biddle and equalled that of the slaveholders in 1860; a great oligarchy without effective governmental supervision—government once more of the “rich, the wise and the good.” Within ten years nine-tenths of the United States bonds
that Jay Cooke had sold to the masses throughout the Middle States and the West were safely lodged in the hands of men living in three Eastern cities: Boston, New York and Philadelphia. In like manner other securities found their places in the same vaults, and men who studied the art of speculation played a game which neither the Montagues nor even John Law of Great Britain ever imagined possible.

The year which followed the enactment of the third national banking law, congress passed a tariff which practically destroyed foreign competition in the sale of commonly used goods. The measure was so extreme that Lincoln declared that he signed the bill only on condition that repeal should follow the close of hostilities. The British navigation policy of the 17th century was completely matched. The constitution which George Mason had urged was obsolete. Nothing illustrates this better than the accompanying act which laid a heavy duty on southern exports, specifically forbidden in the document of 1787. As a sort of concession to the Government, the industrialists agreed in the tariff of 1864 to allow a sales tax on their output and a mild income tax on their swelling fortunes; there were two or three thousand war-made millionaires. Lincoln was assassinated a few days after Lee surrendered and there
was little prospect of repealing the tariff of 1864. In 1868, the sales tax was abandoned while high tariff duties remained or were increased. And within four more years men simply ceased to pay their income taxes. Before 1880 the financiers and the industrialists were fairly united in a common national policy. As time passed all the greater industrial units were so associated that they either broke down domestic competition or were able so to control prices and markets as to compel minor competitors to take orders from their greater fellows. With the bulk of the national savings in three eastern cities and the controlling agencies of industry next-door neighbors to the bankers, there was a privileged interest too powerful for any President to oppose.

The last great element in the picture was the railroads. In war-time their managers had reaped great fortunes like their banker and industrial brethren. During or at the end of the war, the Government granted hundreds of millions of acres of the public lands to railway builders without retaining public control of their distribution. The lands were sold at a profit to immigrants or to easterners crowded by depressions off their ancient homesteads. In 1874 the great trunk lines organized an association at Saratoga which was designed...
to give them a semi-mastery of transportation like that of the wool and the steel and the banking chiefs. As time passed the rising lords of the railways focussed the termini of all their roads in eastern cities. Cotton and pork and tobacco sold to Liverpool and London had to be shipped first to New York. And what tended to fix the rising monopoly of Manhattan was the building always of bigger and better ships—vessels of so deep a draught that they could not enter southern ports. The railway managers were making the public and corporate canals, and even the Mississippi River, useless. Industry, finance, transportation and shipping had won the war; its chieftains, unhindered with anything but futile popular outcries on the plains of the West and helpless wailing in the South, were the masters of a destiny undreamed of in any age. One needs but recall Commodore Vanderbilt who borrowed a hundred million dollars at a clip in London, Jay Gould who stole a railroad which tied New York to Chicago, and Andrew Carnegie whose iron and steel stock deals astounded the men of his generation. The Union was saved; but there remained hardly a vestige of the constitution for which men fought so strenuously in 1788 and died by the hundred thousand in 1863-65. Five or six years after Lincoln’s death, Chief Justice Chase reversed
a former decision and declared the greenbacks, which he had issued in 1862 to save the Union, unconstitutional. The bankers had demanded it. Although the volume of business doubled and sometimes quadrupled every ten years, the amount of money in circulation remained stationary or actually decreased.

The new masters of the new United States hardly knew what they were doing; members of congress and representatives of the dynamic industrial life like John Sherman or Zachary Chandler, master of the Republican party, played the game with a fair degree of safety, because the westerners could always be stirred to a bitter hatred of the South and southerners always replied by voting "solid." A greater and an equally effective influence was the current of things in Europe. There Otto von Bismarck fought three successful wars in six years and united the broken fragments of historic Germany and set the new Germany upon its industrial course. Western farmers reaped the advantages which wars always yield American agriculture and billions of dollars worth of farm products went to the then free European markets. But these wars and changing conditions coupled with the painful process of paying the cost of the Civil War, and aided by Jay Cooke, master manipulator of railway securities,
brought on the panic of 1873. Europe and the United States were in dire straits. But the English steamboats and the American railroads carried hundreds of thousands of distressed Europeans to the United States where the free farmsteads of the West attracted millions of unemployed folk each decade. The European savings of the immigrants, spent in transportation fares, in the building of cottages on the frontier and the purchase of implements started the wheels of industry going again after each "cycle." The hordes of Irishmen, always leaving the neighborhood of the hated English, settled in the industrial areas, worked at low wages and pushed the said wheels a little faster. It was the curious action and reaction of Europe that helped Americans recover from the effects of their titanic struggle of 1861-65. While European wars, American free lands and marvelous railways performed these functions, new and better machines hastened the process. Europeans had abandoned their old mercantile policies and accepted something like Adam Smith's free trade programme. Their markets were open to American products. American farmers, therefore, shipped wheat and beef, tobacco and cotton, in enormous quantities each year. The McCormick binder, the drill, the mower and other improved implements
enabled the newcomers, the poor New Englanders in their western habitats and the older Middle West agriculturists to drive English and German peasant farmers off their lands and into mills or compel them to emigrate. It was one of the evolutions like that which took place on the Italian peninsula while the Roman republic was rising. Hordes of small, individualistic, liberty-loving proprietors were spread over the vast plains of the upper Mississippi and Missouri valleys. But these men hardly knew the motor forces of the society of which they were parts; they gave little thought to constitutions and traditions which lay behind them. They were, therefore, the industrious victims of the economic system operating always from the industrial-financial East and drawing off automatically the annual earnings in business profits or accumulated local bank deposits. The governments of states made efforts to conserve the rights of their citizens; but the United States and its courts steadily supported the interests of the privileged groups which had taken the place in national affairs that slaveholders had occupied under the old Federal constitution. Consciously and unconsciously the process went on.

But Grover Cleveland, an honest if ill-informed leader of enormous personal power,
broke into the picture. He thought to change the drift by reductions of the tariffs. He did not understand the loud western demand for a more flexible currency; he never for a moment associated in his statescraft public lands, immigration, railway concentrations and the export of huge masses of cheap farm products. He thought in terms of individualism and even states rights, both invalidated by the civil war. There were three hotly contested national campaigns: 1884, 1888 and 1892—one of the long and balanced crises of American history. In each of these Cleveland fought blindly for a better system and a more decent treatment of the "reconstructed" South. While he led these campaigns and won what was called the landslide of 1892, he fell, unawares, into the hands or under the influence of "high finance" in New York City. J. Lynde Stetson, chief counsel of the house of Morgan, was his most trusted legal associate. The victory of the masses and the mighty protest against the tariff injustices turned out to be futile. When the long era of declining agricultural prices, 1866 to 1893, had reached the point where wheat and corn were burnt in place of coal, and the frontiersmen could no longer retreat from the scenes of their ruin to fresh lands without cost, there was something of desperation; there was threat of revolution

[ 38 ]
in the land of the free. Cleveland chose his cabinet from old-stage conservatives and made Richard Olney attorney general at a moment when the first anti-trust law was about to be applied; and Olney applied it to striking laborers instead of nation-wide industrial conspiracies. The Pullman strike and its settlement, like the paper money and free silver issues, showed that the Democratic chiefs, who, like Arthur Pou Gorman, talking states rights and tariffs for revenue, were as ignorant of the history they were making as the Republicans had been in 1870-76 when they drove all the eminent co-workers of Lincoln out of their party. Great financiers and insurance officials took pains to contribute to the chests of both political parties; and both parties were not unmindful of the sources of promising gifts.

V.

In this age of disloyalty to the ideals of 1776, there appeared the famous young William J. Bryan of Nebraska, himself as ignorant of the history and tradition of his country as Cleveland had been in 1884. But he was deeply concerned with the interests of the masses and a would-be follower of Thomas Jefferson. It was a time of as great distress as that which followed the Napoleonic wars. There were farmers’ alli-
ances, knights of labor, protest meetings and armies of unemployed, although few men put up the plea that it was the business of the public to feed and clothe them. In 1892 Bryan won a seat in the national house of representatives from a Nebraska district, strongly Republican. In the house he made the most effective speeches of the decade against the "iniquitous" tariff which laid heavy duties on imports and compelled the country to maintain vast industrial and financial trusts. Two years later he broke with the Democratic administration when he espoused the cause of silver coinage at the ratio of sixteen to one with gold. He visited the states and cities of the restless West and South; he held conferences on party policy; and he made overtures to the rising Populist leaders. When the Democratic national convention was about to meet in Chicago, there had already been a "bolt" from the Republican convention which had sat in St. Louis and nominated William McKinley, author of the tariff which had produced the revolt of 1892 and ally of privileged business; Mark Hanna was his manager and connecting link with the East. Cleveland endeavored to control his party and worked even with his bitter enemy, David B. Hill, Governor of New York, to that end. Members of his cabinet did all that politicians could do to stay the tide of
criticism. Bryan was ruthlessly pushed aside in the Nebraska Democratic Convention by the agents of J. Sterling Morton, member of the Cleveland cabinet, and not allowed to go as a delegate of his state to the Democratic National Convention in Chicago, the tone of which he had already done so much to fix. But Bryan appeared there, nevertheless, as the chief of a contesting group. It was widely known that the aged Lyman Trumbull, one of the few socially-minded political leaders of Illinois and revered as an intimate of Lincoln in his senatorial days, supported the young Nebraskan. When the test came, the convention listened to Bryan’s protest and his criticism of the social philosophy of the day. It was the cross-of-gold-and-crown-of-thorns speech, unequalled in American political conventions. The result was the seating of the Bryan delegates from Nebraska and the almost unanimous nomination of the thirty-six year old leader. An unparalleled campaign against the privileged economic heirs of the Union victory in 1865 followed. But for the expenditure of unprecedented sums and the artificial Palmer-and-Buckner ticket put up by men who “knew exactly what they wanted,” namely, a small split from the Democratic ticket in strategic states, like Nebraska and Indiana, the orator of the Platte would have
been seated in the White House in March, 1897; and American history must have taken a different economic turn, a turn away from the industrial goal at which the country arrived in October, 1929. There had not been an equally important campaign since 1864; and to give the people a different turn of thought, Hanna, if not McKinley, welcomed the chance of war with Spain—war, patriotism, colonies; the United States was re-entering the complex of world politics, as an imperialist power.

The McKinley cabinet was in harmony with the social drift of preceding decades. The gold standard was maintained; the tariff was raised once more; Bryan himself helped annex the Philippines and, in spite of this, waged a campaign against imperialism in 1901. The gentle, easy-going, half educated McKinley held his own, only to be assassinated in September, 1901, just after he had repudiated his life-long protective tariff creed; and the stormy petrel, Theodore Roosevelt, entered the White House and waged a campaign of publicity against "big business" that was bad, while he apologized for "big business" that was good. The oil and the pork monopolists were denounced; but the steel trust, the most anti-social of all, was defended. It was the age of the "muckrakers," and the country became intensely
aware of the drift toward economic ruin. However, nothing was done nationally till ex-President Roosevelt, angered at the conduct of William H. Taft, his own nominee for the Presidency, split the Republican party into halves in Chicago in June, 1912. With two Republican candidates in the field, Woodrow Wilson, energetic pedagogue, moved straight toward Sixteenth Street and Pennsylvania Avenue.

Wilson was the first highly educated man and acknowledged thinker who had sat in the President’s chair since John Quincy Adams, 1829; he was aware of the economic dangers ahead. He had, however, received only forty-one per cent of the popular vote. His cabinet was not composed of highly trained men, though first and last two masterful leaders of more than ordinary abilities sat on one side or the other of his official table. There was a return to the semi-free trade policy of 1846; the masterful association of national bankers, unhindered in their exploitive operations since their beginnings in 1863, was compelled to accept some governmental control under the Federal Reserve System of 1913; and there was some effort to apply the trust regulation ordered in the law of 1890. It was an acknowledgment that the country had not been administered in harmony with the
spirit under which the constitution had been adopted. The nation that had succeeded the old Union in 1865 was now an articulated society, not unlike the old South, but the majority of men were unwilling to accept order and subordination. The new society in which the new masters held seats on the directorates of great trusts, great banks and even greater railroads was an under-cover aristocracy. Next to the President of the country, these industrial-financial men offered the social patterns of the time. When J. P. Morgan anchored his yacht in the Thames, even the King of England took notice. Andrew Carnegie had free access to the Kaiser in Berlin; and the Popes were not so near the throne of Heaven itself that they would not grant a friendly audience when an American magnate appeared in the Holy City. Wilson was the first President in half a century who did not swing the doors of the Executive Mansion wide open when a Harriman or a Hill halted his car or carriage at the Executive gate. Next to the really great were the chiefs of organized labor, able to fix the hours of urban toil as the steel trust fixed the prices of its output. While they were not “in society,” they were socially important; they were natural products of industrial monopoly. Below these were the masses of urban folk moving inevitably toward
proletarianism like their predecessors in ancient Rome, and the then greater masses of farmers and tenants making their painful way back to the peasantry of their mediaeval forebears. The American nation, though not willing to acknowledge the fact, was moving rapidly toward the European status from which its founders had run away. Under the constitution which Lincoln thought he had saved, the people of the Wilson era were moving toward social goals which only a minority of the Hamilton party would have tolerated in 1789. The three million farmer-folk who had started the western world on the road of revolution had grown to a hundred million, whose leaders had worked their constitutions, state, and national and city, into the most conservative frames of government in the western world.

Wilson had hardly started his scheme of restoration when the imminence of war in Europe gave notice that modern states are intimately connected. He sent the silent Edward M. House to Berlin to persuade men that war was no longer a solution to economic problems. The gentle Texan, author of a twentieth century Utopia which at that moment enraged senators and industrialists in his own country, found Germany domineered by a combination of agricultural junkers, not unlike the southern
slaveholders of 1860, and industrial financial overlords, economic cousins to the masters of the United States. At the top of the structure sat the militarists ready to give the signal for war upon the drop of the right hat. For an hour the Texan argued with Kaiser Wilhelm II; he argued in vain and sadly took his train for Paris where society was more democratic but where all agreed that Berlin held the initiative. There was little chance of a peace association of the greater powers. In London, there was a regime dominated by what was then called a “wild radical” from Wales, the irresistible David Lloyd-George, who meant to re-distribute the great estates of England among the tenants and landless poor of the country. But even the most democratic country of the time looked to Berlin. In two weeks the secret emissary of Woodrow Wilson set foot on American soil at Boston and learned from the newspapers that Europe was aflame with war—and such a war as the world had not known since Napoleon I.

The leaders of the reactionary forces in the United States had hardly begun their campaign to thwart and break the schoolmaster in Washington before they found that tariff reforms and financial subordination were but bagatelles in a world at daggers drawn and ready to buy at
top-prices all the foodstuffs of the West and all the ammunition of the East, and to borrow all the millions the Americans could possibly spare at high rates of interest. Great business leaders hastened to London and Paris to reap fortunes which eclipsed the greatest fortunes of the Civil War. The President proclaimed an absolute neutrality; but German, English, and French propagandists came in troupes to argue the Americans into the belief that each of the parties to the great war represented the cause of civilization. The leaders of that part of the United States closest to Europe in economic interest slowly took the English side; the leaders of the old South veered more slowly in the same direction; while the great Middle West preached an isolation which a Henry Clay would have scorned a hundred years before. Curious fact: the owner of a great newspaper syndicate felt himself personally unwelcome in London and the owners of the greatest mid-Western paper thought themselves in similar status with the English, and there were millions of Irish and German readers of their grievance stories. Wilson came first to think of himself as the logical arbiter of the mighty contest, though his personal sympathies were mildly pro-British. He did not lose the campaign of 1914 on the old tariff issue, as had been expected. Nor did he

[47]
win enough support to take the initiative in a
war-mad world. Two years more, and there was
the coveted national re-election which he won
on the slogan: “He kept us out of war.” But to
all discerning minds, the United States must as
certainly intervene to prevent a German domi-
nation of modern economic life as England had
intervened to save Europe from the mastery
of Napoleon. But that would be a great ad-
vance upon the position of 1898. Would the
intervention advance the American principles
of 1776? Would it prove to be another intense
struggle for the exploitation of weaker peoples?

After more than one vain effort to bring the
Germans to a world peace table, the United
States entered the struggle, expecting that the
mere weight of her moral influence and economic
power would determine the outcome. Before
the end of 1917, it was clear the Germans would
sweep into Paris and set up guns at Calais
that would drive every ship off the narrow sea
if the whole weight of the Government in
Washington were not cast into the scales.
Ex-President Taft warned that a million men
must go across the ocean; Wilson replied: “Why
not five millions?” In a few months enthusi-
astic Germans were crossing the ocean to fight
the soldiers of the Fatherland and equal numbers
of Irishmen were on the western front helping
their age-long enemies from England. Perhaps both Germans and Irish prayed for the defeat of their own allies. It was only another form of the entanglements of modern life. But the weight of the industrial United States cast into the scales against the so-called Central Powers brought victory in 1918 to the belligerent Georges Clemenceau, war lord of France, and the vociferous Lloyd-George, crying: "The Kaiser must be hanged in London." It was not a peace without victory; and Wilson must sit in person or by means of representatives at the final peace table, not as an arbiter as between balanced powers, but as one of a group bent upon obtaining all the possible fruits of victory. The reconstruction of broken Europe would be a repetition of the reconstruction of the broken South in 1866. But it was a new thing in American history for spokesmen of the United States to pass upon the fortunes of Europe and even the Far East. It was the end of the second era which had begun in 1865. National isolation and hypernational policies, both economic and political, were obsolete. There was an opportunity to the new United States with its industrial and financial power surpassing that of all the warring powers of Europe—the opportunity of a popular and "disinterested friend" deeply concerned in the fortunes of mankind in general,
as Americans had always professed to be. That opportunity consisted in the grant to the President of an unquestioned mandate as he departed for the Paris conference. With such a mandate the world might have been made “safe for democracy” and the reconstruction of Europe might have proceeded without the usual injustices and hatreds. The seizure of the great opportunity depended on the ability of the leaders, rather than the masses, to realize that a new world and a new United States were in the making. The day of privilege and exploitation was about to close; but the beneficiaries of privilege and exploitation could not read the signs of the time. One has but to read the proceedings of the American Chamber of Commerce in December, 1918, to see this.

The allied governments owed the United States about eleven billion dollars and the peoples and corporations of the same countries owed American banks and corporations hundreds of millions more. If the Germans paid the allies the damages their armies had done as the French had been compelled to do in 1871, all their profits for half a century would be preempted. Nor was this all: the Government of the United States owed its people twenty-five billions while the governments of all the warring powers owed their peoples sums surpassing the
total movable wealth of their countries prior to August, 1914. The world had been in many serious economic plights. It had never been so completely bankrupt at any preceding moment in history. These were facts that informed men in the United States ought to have understood. They should have shown men everywhere that there could no longer be economic isolation, constitutions and national prices to the contrary notwithstanding. But as the congressional election of 1918 approached, it was plain that the opposition to the great schoolmaster was coralling with solid blocs the natural race groups deeply angered at a President for whom they had voted because he had kept them out of a war and yet had sent their sons to fight on the western front. The Germans, the Irish, and many thousands of Negroes, carried North to work during the critical years 1917-18, voted against the mandate needed if Germany, Ireland, and even the Negroes were to be made secure in the new world peace. It was the usual case of men voting their past grievances and losing their present objectives. The election gave the older tariff and financial masters a new (perhaps their last) control in Washington; and Wilson went to Paris without a mandate. Every other representative in the conference
had his country behind him. All the world
knows the treaty that followed.

It was the revival of the hypernationalisms
which had developed from the work of Cavour,
Lincoln and Bismarck; and every great nation
seized what advantage it could, although Poland
and the little Balkan countries did obtain doubt­
ful guarantees of such independence as they
might maintain in a world still acting in the
ancient spirit of war. The one hope of the future
in 1920 consisted in the chance that leaders like
Taft and Root would join Wilson and put the
United States into the new association of na­
tions permitted by the Treaty of Versailles, an
association not unlike that which Washington
had worked out in 1788. The scores of rival,
jealous peoples of the modern world must unite
in some economic co-operation if debts were
ever to be paid and good will among recent
enemies restored. The United States was the
greatest creditor of all. Its industrial-financial
structure was the greatest of all and the temper
of its people was the least bitter. If the future
was to be secure, Washington leaders would of
necessity have to point the way. The per­
verted constitution of Mason, Franklin, and
Jefferson would have to be stretched to cover the
welfare of mankind, or the United States would
lose its leadership, its lawful debts, and many
billions tied into its capital structure. It was time for a world Washington. Could there be such a leader?

The opportunity for party advantage was too great. Although Taft, Hughes, Hoover and a score of other eminent chiefs endeavored to swing the Republicans into a forward-looking position, the years which followed the election of 1920 were years of hopeless backward-looking, of exaggerated nationalism, false appeals to the teachings of the "fathers of 1788." Never has the history of a country been more misunderstood or dangerously interpreted. For twelve years, the driving word was distrust of other peoples; and distrust begets distrust.

A President even more ignorant than the most ignorant of his predecessors held office for a while; and the record of his neglect, if not corruption, surpasses the record of any preceding leader of the country. Another and a little better informed chief came to office in 1923 and was reelected in 1924; but no enlightened leadership followed. The enforcement of the Federal Reserve Banking Law was relaxed. The warnings of declining commodity prices of the period were ignored. Immigration from other lands was as good as prohibited; and the tariff act of 1922 reduced the exports of industry when the home market approached saturation.

[ 53 ]
Isolation, political and economic, was the slogan; yet everybody called for the prompt payment of the eleven billions of allied war debt in gold. It was a legal obligation, as the obligation of young America to pay the impossible debt of 1783 had been legal and binding. The allies resorted to borrowing in the United States in order to pay; and the Germans likewise borrowed from the same sources to enable them to pay the allies. Since European industry might not sell its output to advantage in the United States, its chiefs borrowed money from American banks to enable them to sell in Latin-American markets in competition with the United States.

At the same time the Administrations of Harding and Coolidge loudly asserted their right to dominate Latin-America, and thus added to the small advantages of European industry and the unpopularity of the “monster of the North.” Secretary of State Hughes frankly told the assembled Latin-Americans in Havana in 1926 that the Monroe Doctrine, hated everywhere south of the Rio Grande, was a purely United States affair and was to be applied exactly as the Government in Washington saw fit: purely “unilateral.” It was the Austrian attitude of 1914 toward the Balkan States.

Thus, instead of moving into new paths as Washington had done in 1787-88 and Lincoln
had repeated in 1861, the leaders of the United States faced backward from 1921 to 1929, ignoring the most obvious economic and social facts. There were no more free lands; and moreover, if the dispossessed farmers of the era had known of free lands, they would not have accepted them. For three decades the schools and colleges had taught their young, both by precept and by example, that life in the city was the only life worth living. There were everywhere great University departments which taught hundreds of thousands the charms of industry and the art of super-salesmanship. Six hundred thousand country folk abandoned their homes for the city each year during the larger portion of this period. There were few immigrants from other countries; and what there were lingered in the cities, arousing the anger of organized labor. With no free lands and few immigrants, the native population ceased to increase as in times past. Women did not care to bear children. They disliked the drudgery of the household and so apartments, hotels and chain restaurants became the craze. Few were willing to be caught at the old-fashioned tasks; the family was a declining factor in life.

Nor were conditions in Europe better. Although ten million men had been killed and as many more disabled for life, there were appar-
ently still too many people. The unemployed crowded into the cities. Having fought valiantly in the great war, governments could hardly decline to feed and clothe them in time of peace; but the more help governments gave, the greater the demand for help. In times past the poor and unemployed of England and Germany had migrated to the United States, Canada, Australia and Argentina. Now immigrants were, as we have seen, unwelcome, nor were the unemployed of Europe willing to migrate to the far borders of civilization. They loved the lights and noises of great cities, even when they begged their daily bread. Much, if not most, of the personal self-respect of the eighteenth century had gone, disappeared in the era of industrialism. It was a curious reactionary state of mind: “All men are entitled to support from their fellows.”

With the advent of Herbert Hoover as President, there was a leadership more familiar with the adventures of the mining camp and the manipulations of stock markets than with the traditions and the complications of the United States. The “great engineer” was utterly unaware of the dangers ahead of him. University professors talked of the certain disappearance of poverty; United States chambers of commerce preached the same doctrine, apparently unaware
of the fact that half the farmer folk of the na-
tion were hardly able to earn their keep. On
account of mass production methods, American
industry was still able to sell certain goods in
other countries; the declining home market was
steadily boosted by super-salesmanship and the
deceptive propaganda that machine farming
would work a new era, even while tariffs were
operating adversely; and to support all this,
credit was everywhere granted on the easiest of
terms. It is difficult to imagine the perform-
ances of the Coolidge-Hoover years. Two great
utility super-organizations, one in the East, the
other in the West, pulled into their control
nearly all the electric power concerns of the
country. A small Virginia lighting system,
built by amateurs and even farmers, was paid
ten times its own valuation in stocks issued by
a subsidiary company of a subsidiary company
of Samuel Insull, the London newsboy grown to
be autocrat of Chicago. The greatest banks of
the country became interested in the super-
salesmanship of billions of such stocks. The
Shenandoah River was to be dammed and a vast
stretch of that charming region was to be cov-
ered in water in order to perfect the control of
ancient Virginia by Chicago "undertakers."

The urban world having gone half-mad with
movie entertainment, subsidiary concerns of the
General Electric Company of the East organized affiliates for the building and control of the movie houses and, under one cover, issued stocks to the amount of sixty-eight million dollars. These were taken at fifty dollars each by a public, unwarned by their own bank officials, state or national. Later the agent of the selling company set up a "short sale" campaign on the stock exchanges and reduced their fifty-dollar shares to seventy-five cents each. The public lost about sixty millions. The very eminent and humane chief of these operations thought himself, as others also thought, fit successor to George Washington; great business leaders hailed him as a master magician of high integrity. Anything might be done in New York. Since Chicago and other plains cities had built themselves skyscrapers like those of the McKinley-Roosevelt days, the masters of Manhattan now dynamited vast foundations in their solid rock subsoil and erected business structures thirty, fifty, and a hundred stories high—offices, movie houses, and radio cities to meet the demands of half a hundred years to come. Everything had to be on Manhattan Island and everybody in the United States must see the vast complex or die in provincial ignorance. The subways, the surface lines and the overheads, not to mention the thousands of
cabs, carried vast masses of people at unprecedented speed in and out of the city every day. To finance these buildings, transportation lines and racketeering politicians, the country was taxed through the sales of enormous bond and stock issues, payable ten, twenty and fifty years hence. Nearly everybody fell for these speculations, and most people thought themselves unfortunate if they could not live in some elaborate house or apartment in New York or some other "modern city." It was the Coolidge-Hoover age and the Empire State Building was its monument—today standing half empty and begging sightseers to spend their half dollars just to take a ride in the elevators. And what New York did, Richmond or Kansas City, with vast stretches of land all about them, must do. There had never been such an era; and nearly all Americans shouted: "Great is the age of passing poverty."

And parallel to this was the unhindered accumulation of nearly all the earnings of the country in a few centres. The comptroller of the currency paid less attention than ever before to the limiting clauses of the Federal Reserve Act. Banks set up affiliates to do what they might not do in their own names. Associations of banks sent agents to Germany in 1926 to lend hundreds of millions, even billions of
credit, at high rates and on poor security; and then co-operated in the boosting of the sales of these German bonds to their clients at a profit. A somewhat different loaning system was applied to Latin-American countries. But whether bankrupt Europe or doubtful Spanish America wished huge loans, the means were found to meet the wish and the government officials failed under the constitutions of 1787 and 1865 to warn the people against putting their savings into the great hopper. Perhaps ten billions in addition to the eleven billions due the Government were thus disposed of for slips of paper without proper guarantees of their value. It was the proceeds of these loans that enabled poor foreigners to pay for American automobiles, typewriters and other machines—a false appearance of prosperity soon to become obvious to all.

And while the new and amazing performances of electric magicians, skyscraper builders and foreign credit lenders operated day and night to manipulate the bewildered masses, the older concerns of the country fell into line. General Motors poured more and more stocks onto the market; the railroads, never quite free of watering their securities, added immensely to their obligations; and steel companies, cement manufacturers and even rural bankers gladly tied themselves into the dangerous structure. Nicho-
las Biddle had never imagined such gullibility of his public. Nor might one safely criticize or warn. If one said railroad securities were one-third water or that the electric power holding companies were due for a fall, the great officials of semi-sacred insurance organizations would cry: “Bolshevism.” Thus the hundred billions of worthless stocks must continue to float, lest the reserve investments of the country be called into question. It was a case of certain wreck if the process went on, of vast disaster if it stopped.

One of the candidates for the nomination to the Presidency in 1932 wrote in a letter as yet unpublished: “The time has come for business men to take over the constitution and apply it. We must be governed from the top and all other elements of American life must be subordinated and fitted into the picture, otherwise there is chaos.” Nor was the suggestion so far from the fact. Five hundred men received a million dollars a year income and from the Morgan revelations one may surmise that a thousand others received similar incomes but failed to report them for taxation. Bethlehem Steel directors voted themselves bonuses of a million dollars each for their fine management and North Carolina tobacco manufacturers were hardly less liberal with themselves.
Nor was the structure badly fitted together. United States Steel products sold all over the country at the same prices, twice as high as in 1914. A drill, a mower or an automobile was everywhere the same thing and agents were commanded to sell so many a year or lose their jobs—the price always the same. And if farmers and country folk could not pay, they were allowed to advance ten dollars, receive the article and then pay regularly the next two or three years when the car or binder might be well-nigh worthless. High-power salesmanship. But while all prices of stabilized industrial goods in the United States were fixed by industrial committees or single autocrats like Henry Ford, the rest of the world might have the same article at lower rates. The so-called Webb law of 1918 allowed American manufacturers to fix prices abroad low or high in order, like the German cartel system of 1914, to break down competition. The great home structure rested secure upon the protected home market. At the same time it set itself the task of lending money abroad in order that foreigners might buy American raw materials and compete with their own industrialists. It was a marvelous development of the democracy set up in 1787.
VI.

Such was the artificial world of 1929 tottering under the accumulative grievances of the American people and the angry-minded states of Europe, hardly able to see that the Treaty of Versailles, good or bad, was a world economic-military constitution, not unlike that of 1783 or 1763. If the structure of the Coolidge-Hoover prosperity were to stand, the League of Nations must be made the centre piece of the hated treaty and there must be an imaginative leadership not unlike that which wove together the thirteen jealous and quarrelsome American states of 1787. There must be some solution of the tariff problems growing more acute every year; and emigration from overcrowded countries must be accommodated somewhere in a vastly undeveloped world. In the United States the drift to the cities must be deflected to less developed regions like the old South or far Southwest. If there were no longer free lands, there was cheap land. The world must get together, not to make ready for another war in which all would be lost; but to keep the peace. The great day for that had been in 1920. But having failed then, there was a possibility in 1929.

But the new President called a congress committed to backward trends. Instead of leading its unruly members, he permitted them to
wrangle a half year about tariff advantages for individual, party and sectional interests. Instead of striking a vigorous hand into the European tangle, he trusted to the fatuous Young Plan as a cover under which Germany and France might settle their economic differences. While talking of everlasting prosperity, the solid rock foundations under New York suddenly gave way in October, 1929. When the New York stock market collapsed, the New York bankers trembled. When the New York bankers trembled the gods of the system were discredited. Anybody might criticize; and everybody indulged himself freely. The President did nothing. Congress slowly enacted a tariff which all thoughtful men knew to be both wrong and economically dangerous. The President signed the bill and hoped for prosperity, unaware that high tariffs require immigration and free lands in order to be highly effective. Prosperity was not just around the corner. All Europe fell into a worse plight than before. Little buying anywhere could be expected. Installment salesmanship collapsed at home. The banks began to fail. Some of the truth of the situation slowly seeped into business men’s minds and many of them committed suicide rather than confess their sins or attempt to reconstruct their social order. In 1932 stock values had fallen about a
hundred billions; the railroads were bankrupt and begging Government to save them; the insurance authorities were uneasy day and night lest the world know how little value there was in their "immense reserves;" and there were twelve million people out of employment, gathering more and more in the cities where they demanded the right to work in a world that needed fewer workers every year, a world with a relatively decreasing population. Had George Mason or Alexander Hamilton been right in 1787?

The system had collapsed and the tendency in every section of the country was toward a more and more primitive life. If nothing were done, peasantry for farmers, like that of Europe since time immemorial, and proletarianism for the city masses, like that of ancient Rome, would be hastened. The old constitution must be made new and no constitution could be made successful without many and intimate contacts with the industrial world everywhere. To accomplish so great a change among a people taught to move in contrary directions by their politicians, their race group leaders and the schools, high and low, would be little short of miraculous; yet miracles are sometimes wrought. The object, avowed and unavowed, of the electoral campaign of 1932 was to work the miracle.
To work it, some heroic measure must be intelligently applied. The first of these is the acceptance of the fact that securities without real value behind them must be gradually written off, even when millions of innocent purchasers must suffer. Railroads, so important to a modern state, must cease to pay dividends or interests on paper values. That means four to five billions of deflation and permanent release of some hundreds of thousands of workers. Insurance companies that hold hundreds of millions of watered securities must recognize the fact and seek some way to meet the proper demands upon them—a hard conclusion which involves the fortunes of millions of people. With railroads and insurance companies and labor relations readjusted, the artificial produce and food markets of the cities must be freed from their “exaggerated overheads” under which worthless securities have been issued to the people. If competition among commission merchants and distributing agencies can not be established, then little dictatorships will have to be set up. Farmers can not function in a society which requires consumers of milk to pay ten cents a quart and leaves the producer only three cents a quart. Apples at a dollar a barrel in the orchard and ten dollars a barrel to the consumer represent an injustice almost unprece-
dented. There must be some equalization as between the masses of producers and the masses of urban consumers, else there can be little margin of returns on which the purchase of industrial goods depends. If these things be done, something like a third of the city populations will find themselves unnecessary. The most perfect labor organizations in the world can not overbear the great facts of life. These superfluous workers in the mills, in the political gangs and in the offices of magnificent skyscrapers, like their predecessors of Europe in the seventeenth and eighteenth centuries, will find places on the cheap lands of the South and West. And, like their predecessors, their success will depend upon their initiative and their courage to meet a hard situation. Unlike the governments in times past, the governments of today stand ready to lend aid. And one only needs to read the reports of the proceedings of the Banking Committee of the Senate today to see what must happen to financial and industrial leaders who have conspired together for decades to exploit the public. With these difficult domestic changes under way, an equally difficult task presses from abroad.

The billions of money due the United States, both public and private, can not be promptly repaid. The great war, due to industrial rival-

[67]
ries and historic hatreds, left a burden which can no more be lifted than the Americans of 1787 could repay in gold the millions of paper dollars which had been accepted in good faith on the word of as able and honest public men as ever served any country. The most of the world public debt simply has to be written off, like the worthless industrial securities of the United States payable in 1980. When this is done, the hostile trade barriers must be reduced, if not broken down. These barriers are due more to the teaching and example of the United States than to the influence of European statesmen. The United States must, therefore, take the lead in correcting the evil. When debts are adjudicated and trade barriers are lowered, there will remain the third and last great task, the reduction of costly armaments.

These are the greater leads on the way to the new world, the new United States operating under the reinterpreted constitution of Washington and his fellows. The minor problems may be worked out more slowly. But it must be a new world, a new attitude toward constitutions and a recognition that privileged groups always work their own ruin, if not regulated by government; and working their own ruin, they work that of their fellows in vast numbers. The United States have gone a long way since
1865, a longer way since 1787; but a vaster future is still before us and the principle of democracy is as vital today as in 1776.