

## Murray Rothbard and Jacksonian Banking

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MURRAY ROTHBARD WAS THE consummate scholar in several fields. From my first meeting with Murray Rothbard, attending Ludwig von Mises' seminar at New York University, more than forty years before the sadness of his death, I knew him longest as an economic historian.

The post-1945 period saw a great deal of attention for history, economic history, and social sciences by foundations. The Rockefeller, Ford and Carnegie foundations were very active in development of research programs in history. The Social Science Research Council encouraged research in economic history with the express purpose of showing that in the early history of the American Republic state and national legislatures had passed interventionist legislation in order to prove that America was not a purely laissez-faire country. If the legislatures had sinned before they could be encouraged to sin again, and again, and again. They claimed the New Deal was not out of character of American government. They wished to prove that all governments sin and therefore there is no point in trying to maintain the Ten Commandments of laissez-faire. Since there can be sin, no one should maintain the standard of virtue. Thus, economic history was an important area for the anti-free market forces to change the opinion of the public that government intervention was dangerous and threatening to freedom and prosperity.

The mid-1950s saw much attention to history and the methodology of the social sciences. Coming from his own education in mathematics and economic theory, Murray Rothbard brought added brilliance to the study of economic history and the methodology of the social sciences. F. A. Hayek had recently edited *Capitalism and the Historians* (1954). Ludwig von Mises' *Human Action* (1949) (which I read in 1952 with my Georgetown economics text) had important sections on methodology of the social sciences. At this time, Mises' seminar was

focused on his discussions of the materials which became his book *Theory and History* (1957). Mises was working on the *Ultimate Foundations of Economic Science* (1962). He also arranged the translations of his own *Epistemological Foundations of Economics* (1962), and Heinrich Rickert's *Science and History* (1962) which were available at Ludwig von Mises' seminar in manuscript.

When I first met Murray Rothbard he was finishing his dissertation on *The Panic of 1819* (1962a). He was working with the eminent economist, Joseph Dorfman. Dorfman was the author of the five volume *The Economic Mind in American Civilization* (1946–1959). Dorfman was famous for demolishing Arthur Schlesinger, Jr. *The Age of Jackson* (1945), which claimed that the Jacksonian Movement was an early New Deal.

Dorfman presented his paper: "The Jacksonian Wage-Earner Thesis" at the American Historical Association meeting in New York, in 1946, and it was published in the *American Historical Review* (1949). Arthur Schlesinger, Jr. writings identifying Jackson with FDR, Truman, etc. missed any reform of his myths demonstrated by Dorfman's work. Of course, a lot of American history survey textbooks continue to draw on the "name" historian, Schlesinger.

Dorfman shows that the wage-earner and working class Jacksonian Movement was a radical laissez-faire movement. Workingmen were all persons working in the market—they were the producers (Jacksonian labor movement) whose taxes supported the tax-consumer government-employed or -supported exploiters of the producers. To quote Joseph Dorfman's essay "The Jackson Wage-Earner Thesis" (1949), starting with a memorial of Pennsylvania workingmen in 1829:

The memorial may be divided into two parts. The labor part of the memorial is the familiar reference to the disadvantages and sufferings of the workingmen resulting from the excessive issues of bank paper. But along with it is the prolonged strong argument against paper drawn from the necessities of business calculation, investment, and fulfillment of contracts. Which is the more significant?

There is reason to believe that the petition was primarily the work of two signers, Condé Raguet and William M. Gouge, both of whom have been ranked among the outstanding financial authorities of the Jacksonian labor movement.

These two learned journalists were close friends. Condé Raguet, "Esquire," was originally a merchant and later president of the Philadelphia Chamber of Commerce. In 1820 and 1821, while a state senator, he had prepared reports for that body on the depression and on bank charters that expressed substantially the same demand for a limited number of banks as is found in the memorial. But in those reports there were very few references to "working men"; and the emphasis was more definitely on the damage to businessmen and property values. At the very time that the "working men's" memorial was published in his magazine the *Free Trade Advocate*, Raguet declared in an essay on "the Principles of Banking" that the great sufferers from the banks of issue were the merchants who are "obliged to submit to all the evils of a contraction, consequent to an expansion, which they had no agency in producing." (*Free Trade Advocate*, July 4, 1829)

Perhaps most relevant are Raguet's views on matters of immediate concern to the wage earner. He declared that to reduce the working hours from twelve to ten, or to raise wages through combination or law, would contravene "the greatest principle of nature, called the law of competition" to the employer's ruin and labor's loss of employment. Is this what is meant by radicalism?

Gouge's ideas on labor were substantially those of Raguet. He insisted that the laws of supply and demand were all powerful, and that the claims of the honest capitalist are just as sacred as those of the honest laborer. He berated the idle and improvident for neglecting to accumulate a capital and thus make themselves independent of "others for means of both subsistence and employment." (William M. Gauge, *A Short History of Paper Money and Banking* (Philadelphia, 1833))

"Is this what is meant by radicalism?" Dorfman exclaimed at Schlesinger.

Dorfman had made crystal clear that as much as he would have liked there to have been an AFL-CIO type labor movement in the early nineteenth century, there was none at all. It was a radical laissez-faire labor movement in which the working man saw his future in capitalism and the free market. Arthur Schlesinger, Jr. must have missed the American Historical Association meeting and the *American Historical Review* in which the leading economic historian of the period

demonstrated the facts of the Jacksonian movement. Schlesinger decided to reprint his pseudo-history of *The Age of Jackson*.

Accidents just happen, and thus, Schlesinger wrote a book based on a totally false premise. So much for the knowledge of the Pulitzer Prize Committee. Having observed this travesty first hand at the beginning of his academic career, is it any wonder Murray Rothbard was suspicious of the academic establishments?

Murray Rothbard's most recent work appeared at the time of his death in January, 1995: *Economic Thought before Adam Smith* (1995a) and *Classical Economics* (1995b). The second volume especially provides important analyses for this present study. Rothbard shows the importance, for American economic thinking in the period preceding the War between the States, of French political economists.

Rather than the English political economists of the early nineteenth century, such as David Ricardo, Thomas Malthus, and James Mill, Americans were educated in the economics of the French successors of Turgot. Joseph Schumpeter considered Turgot the greatest economist ever. Thus, Americans had the advantage of avoiding the dead-end economics of the English School which ended in the trash-bin of Marxism. Americans were educated in the economics which Karl Marx vilified for showing that the workers gain from capitalism and suffered from State intervention.

Murray Rothbard in his *Classical Economics* (1995b) emphasizes that the textbooks in economics in American colleges, as well as the economics tradebooks read by American intellectuals, were the translations of the French economists. Count Antoine Louis Claude Destutt de Tracy (1754–1836) was chief of staff to the Marquis de Lafayette in the constitutional monarchy after 1789. As the French Revolution progressed, Destutt de Tracy was condemned for his opposition to the Economic Terror, and was saved from execution by accident at the time of Robespierre's fall.

Destutt de Tracy became an intellectual leader of post-Robespierre France. Through Lafayette he became a friend of Jefferson when he was American minister to France. Jefferson arranged the translation into English of some works of Destutt de Tracy when Napoleon's rule was unfriendly to Classical Liberal ideas. Destutt de Tracy's *Treatise on Political Economy* was published in Georgetown in



1818, and was widely read and adopted at colleges through Jefferson's recommendation.

Rothbard (1995b: 5–6) says of Destutt de Tracy's work:

But, de Tracy lamented, in this idyll of free exchange and commerce, and increasing productivity, comes a blight: government. Taxes, he pointed out, "are always attacks on private property, and are used for positively wasteful, unproductive expenditure." At best, all government expenditures are a necessary evil, and most, "such as public works, could be better performed by private individuals." De Tracy bitterly opposed government creation of and tampering with currency. Debasements are simply "robbery", and paper money is the creation of a commodity worth only the paper on which it is printed. De Tracy also attacked public debts, and called for a specie, preferably a silver, standard . . .

On money, de Tracy took a firm hard-money position. He lamented that the names of coins are no longer simple units of weight of gold or silver. Debasement of coins he saw clearly as theft, and paper money as theft on a grand scale. Paper money, indeed, is simply a gradual and hidden series of successive debasements of the money standard. The destructive effects of inflation were analyzed, and privileged monopoly banks were attacked as "radically vicious" institutions.

Jean-Baptiste Say (1767–1832) published his economics treatise in France in 1803. The English translation of Say appeared in London in 1821 as *The Treatise on Political Economy*. As Rothbard (1995b: 11) notes:

The free trade Boston journal, the *North American Review*, reissued the *Treatise* in the United States the same year, with American annotations by the free trade champion Clement C. Biddle. Say's *Treatise* quickly became and remained the most popular textbook on economics in the United States down through the Civil War. Indeed, it was still being reprinted as a college text in 1880. During that period, the *Treatise* had gone through 26 American printings, in contrast to only eight in France.

Clement Cornell Biddle (1784–1855) continued to be an exponent of free trade and education in market economics. Biddle was a Philadelphia lawyer and former army officer who headed an insurance company and was an early supporter of savings banks. The English translation by the London economist Charles Robert Prinsep (1789–

1864) contained notes by Prinsep. He recognized the filiation of Say's ideas from Turgot, and that Say's book followed and developed the work of Turgot. However, he omitted Say's Introduction. Biddle restored Say's Introduction which provided a history of economic thought, and the need for a proper economics textbook given poor organization and digressions of *The Wealth of Nations*. Biddle was critical of Prinsep's notes as reflecting a Ricardian digression from Say, and the later one-volume American editions saw some of Prinsep's notes removed by Biddle. But, Say's *Treatise* had an importance all of its own in American higher education. This explains its being reprinted after the War Between the States down to 1880.

A valuable contribution to appreciating the singular role of J. B. Say's *Treatise* in American economic thinking in the nineteenth century is Michael J. L. O'Connor's *Origins of Academic Economics in the United States* (1944). O'Connor (pp. 22-24, 51) notes:

The first American edition of Adam Smith's treatise, so far as we know, appeared in Philadelphia a few years after the Revolution. In 1790 Jefferson called it the best book in political economy, and he recommended it, together with the work of Turgot. In 1796 Philadelphia saw another printing of the *Wealth of Nations*, and also the first publication on this continent of Godwin's *Enquiry* . . . Jefferson's frequently expressed encouragement was extended to Thomas Cooper, to John Taylor of Caroline, and to others for their work in political economy. As for Europeans, Jefferson, especially between 1810 and 1820, gave perhaps a major share of his aid to Antoine Destutt de Tracy, Dupont de Nemours, and Jean B. Say . . .

To Jefferson, Say's book was "shorter, clearer and sounder" than the *Wealth of Nations*, or at least it was a succinct digest of the tedious pages of Smith. In letters from two presidents of the United States, Madison and Jefferson, Say received assurances that he would be welcome in America if he found it really necessary to leave France. He was thought of as a possible professor for the University of Virginia. William and Mary considered using the *Traite* as a textbook, presumably believed that an English translation already existed . . . Jefferson had hoped that Antoine Destutt de Tracy's *Treatise* would be a textbook at the university, but when that institution finally got under way, George Tucker used the works of Smith and Say . . .

When Jefferson's University of Virginia opened, George Tucker (1775–1861), writer, lawyer, and member of Congress, was assigned the course in political economy in the school of moral philosophy. Tucker had written on economic questions as early as 1814 and was selected as one who would teach in terms of training for leadership in public service. The texts used by Tucker in 1832 were Adam Smith and Say, together. In the next decade the main textbooks became Say and Tucker. The latter book was, probably, Tucker's *Laws of Wages, Profits and Rent, Investigated*, 1837 . . . Some of Tucker's works were widely read and even used as textbooks. He has been highly praised as competent and original in his criticism of Riccardian theories.

O'Connor calls Say's *Treatise* the "PRINCIPAL TEXT" of American higher education from 1821 to the 1880s, and especially, in the four decades before the War Between the States. Of Say's contributions, O'Connor (pp. 129–130) notes:

The phase of government treated under public consumption permits a violent attack by Say. Such consumption is the "destruction of value." He likens a tax collector to the robber of a merchant; the government is made analogous to a thief. . . .

Under "commercial industry" Say includes the banker and broker as commercial agents. Similarly, speculation is considered a branch of commerce. "Even this trade," according to Say, is productive and may be called "the trade of reserve." "Forestalling" gets little criticism from Say, but government subsidies to national shippers arouses his antagonism. When excoriating the institution of national debts in a way reminiscent of De Tracy, Say indicates that stockjobbing is mischief-producing and unproductive. Prinsept then remarks that "the distinction between the stock-jobber and stock-broker is too obvious to need explanation."

Say's treatment of banks is restrained. The notes issued by banks he terms "credit paper." "Paper money" is reserved for irredeemable paper, which he criticizes severely. As to credit paper, he finds nothing fundamentally objectionable about it. But he does observe that "when the sum total of the paper issued does not exist in the coffers of the bank, under the shape of specie, the deficit should at least be supplied by securities of very short dates." Brief reference is made to the problem of checking the immoderate use of banknotes: limitations are to be fixed, and high denominations of value favored. This approach is endorsed despite Say's awareness

that such governmental action has been considered a violation of the "liberty of commerce."

The crucial role of the "PRINCIPAL TEXT" of economics in American higher education may be seen not only in the political party principles, but also in the sermons of ministers, the attitudes of legislators, and the decisions of judges. As it was more likely for college educated members of the legal profession, compared to those who entered the bar through clerking, to be selected to seek judicial office or were appointed to judicial office, the decisions of judges in American federal and state courts in the last three-quarters of the nineteenth century in America reflected the economic education of Jean Baptiste Say's text. 100

Additional information regarding the crucial role of the economic ideas of Jean Baptiste Say on nineteenth century American thought and public policy may be found in the works of the French economist Ernest Teilhac, including *L'Oeuvre économique de Jean-Baptiste Say* (1927), *Histoire de la pensée économique au Etats-Unis au dix-neuvième siècle* (1928) and *Pioneers of American Economic Thought in the Nineteenth Century* (1936).

The most important book on the Jacksonian movement is Lee Benson's *The Concept of Jacksonian Democracy, New York as a Test Case* (1961). Benson sees the "Bank War" as the cause of the restoration of the two-party system and the emergence of a long-term Jacksonian Democratic Party. Of course, Benson is not alone in seeing Martin Van Buren as central to those developments, and his base in New York state as a key to understanding the Jacksonian movement. Benson starts with Dixon Ryan Fox's seminal work on New York politics, *Yankees and Yorkers* (1940). Benson emphasizes that political ideas and economic ideas find their foundations in the deeper ethno-religious cultures of the voters. In New York the contrast was between the older communities of the Dutch, Palatine Germans and Old English—the Yorkers; and the newer communities of immigrants from New England—the Yankees.

Benson (p. 298) notes: "Inertia may be the first law of history; change surely runs it a close second. Under what conditions one or the other predominates is, in major respects, the historical question." He continues (p. 299):

It is true, of course, that the Dutch and general Yorker cultural pattern placed a relatively high premium upon stability and actively distrusted innovation, particularly when compared with the cultural patterns common among the "restless Yankees" in some sections of the state. "The Dutch," begins a barbed, but revealing anecdote, "are hard to be moved . . ."

Benson emphasizes the Yorkers antipathy to the New Englanders' state "improving" attitudes which were focused in the new Whig party of Henry Clay's American System of tariffs, government roads instead of private toll roads, and of William Seward's complete book of state interventions. These were resisted by the Yorkers "who by 'instinct' and by tradition abhorred state expenditures and taxation for any purpose" (p. 299). Benson (p. 299) explains:

Rockland's tradition-minded and tradition-bound farmers were, like their post-Revolutionary sires, likely to respond to the party that preached the doctrines of the negative liberal state and state rights. Part of their tradition, it is crucial to note, was resistance to social order imposed by political government, as distinct from social order imposed by community mores and customs. Emphasis upon the almost instinctive differences between Dutch individualism and Yankee propensity for official community action must be ranked high among Dixon Ryan Fox's most perceptive insights. Translated into our terms, areas influenced by the Dutch tradition were more likely to respond to political doctrines logically and psychologically consonant with egoistic and localistic outlooks, attitudes and habits than to "collectivistic," universalistic, political doctrines.

Benson expands on Fox's earlier analysis of the ethno-cultural basis of political culture. Benson draws on the electoral profile of Rockland County to show the depth of the division of political cultural which undergird the political parties. The Jacksonian movement was able to draw on an historic popular commitment to classical liberal concepts.

As noted previously, pious Yankees tended to respond to Anti-masonic-Whig appeals for state-guided and state-enforced "moral reformation." In contrast, though the Dutch did not lack piety or respect for ecclesiastical authority, their conception of the church "was by no means as vivid and embracing as that held in New England. Along the Hudson or on the islands about the harbor (of

New Amsterdam) it would have seemed absurd to adopt church membership as the touchstone of political capacity." That Fox was referring to seventeenth century Yankee-Dutch antagonisms only points up the deep-rooted nature of their cultural differences. Actually, he went back further . . .

Fox's observations, translated into our terms and period, help to explain Rockland's strong Jacksonian proclivity. The inference seems reasonable that the classically liberal Dutch tradition influenced the county's voters to pursue political goals which called for minimal state action . . . although issues touching upon church and state relationships had explosive political potential, it was not religious piety in general but puritanism in particular that conditioned men to respond to the Antimasonic-Whig positive state doctrines. As the *Albany Argus* angrily asserted, the anti-Jacksonians had no basis for claiming that they were the "party of all the 'religion' and all the 'decency.'" . . . "respectable" Yorker communities strikingly demonstrated that the anti-Jacksonians were at best the party of men dedicated to a *particular* conception of "religion" and "decency." (Benson, pp. 300-301)

Murray Rothbard was very deeply read in the "New Political History" or the ethno-religious approach to political culture. He understood that it was an historio-graphic revolution which illuminated the causes of political behavior. He was impressed by the "New Political History" contribution of Paul Kleppner (1979) of Northern Illinois University. Kleppner had demonstrated the influence of ethnic and religious culture on voting behavior in the United States in the post-Civil War period. In particular, he described the ethno-religious voting patterns leading up to the momentous nomination of William Jennings Bryan against William McKinley in 1896.

The Democratic Party in the nineteenth century had been the center of free market political culture. Since the rise of the Jacksonian movement, if not since Jefferson's founding of the Democratic Party, Democratic Party and laissez-faire had been twins. The Democratic Party's laissez-faire, especially opposition to Central Banking and Tariffs, had appealed to the ethnic groups who held human nature to be fixed and unchangeable. Therefore, no political remedy was possible if it presumed a change in human behavior. These ethnic groups' religious views would not permit them to accept Fidel Castro's concept

that a New Marxist Man can be created by substitution of material incentives for moral incentives.

Traditionalist theology excluded the concept that man in this world could be changed, and that human nature could be transformed by new religious incentives. However, newer theological positions had arisen which, in the nineteenth century, provided a religious foundation for government intervention. Since *laissez-faire* assumes the unchangingness of human nature, that men will behave in known ways whatever the grandeur of the goals of government actions, a belief contrary to the fundamentals of economics—that man's nature is unchanging—can be used to justify government intervention.

The traditionalist theologies—Lutheran, Anglican, Presbyterian, Jewish, Catholic—shared with economic science the knowledge of man's unchanging nature. Therefore, they saw government interventions as the source of new temptations for corruption. They had a public choice understanding of politics. Special interests will be the movers of legislation, whatever the language of improvement used to justify it. Men will take advantage of government intervention to benefit themselves. That taxation is a form of robbery which should be limited to a very few necessary evils.

The new theologies saw human nature as changeable by conversion, by a rebirth. If man could be reborn in spirit—born-again—then the effect, some understood, could be transferred to this world. Later some became more secularized and saw political intervention as means to achieve a religious rebirth.

Murray Rothbard researched this material very deeply. He said that it answered something he had wondered about for decades: although it was hard to interest his economics students in questions about banking or tariffs, nineteenth century voters were not only well versed in the economic analysis but were very enthusiastic in arguing and campaigning about these topics. The nineteenth century voters were well versed in the theological analysis of human nature on which economic analysis was equally rooted.

When the adherents of the new theologies sought to bring about a change in the behavior of their fellow citizens, not by religious or moral persuasion, but by the gun of the state, the adherents of traditional theology resisted mightily. As the German Lutheran said in the

beer garden after Sunday services about legislation for prohibition and for Sunday closing, "they seek to make a sin what God himself did not make a sin." Cultural civil war was the consequence. The major parties were the focus of this conflict.

Just as the Dutch Burghers of the Hudson Valley or Bergen County, New Jersey resisted what they considered the impious legislation regarding their beer drinking, Lutheran and Catholic voters protested what they considered the impious legislation taxing them to support government schools. They considered public schools to be special interest legislation as any other attempts to tax for protection of certain industries or to subsidize roads instead of toll highways.

As Murray Rothbard strongly emphasized, one's theological views would influence one's views about money. If one had traditional theological views one would view money as natural, that is, that men had shown over the centuries which goods fitted human nature as money. However, if human nature could be change by a rebirth, then the old limits, expressed for example by the ordinary man's preference for gold money, could be set aside, and with it, the limits on monetary and banking policy caused by the responsibility of the gold standard. New things were possible, the economy could be uplifted by a shot in the arm of money expansion. The New Man would not react in such a way as to cause the normal reactions to inflation. In the new theology, man can be liberated and can enjoy the benefits of liberation by being freed from the chains of responsibility imposed by gold coinage.

Legislation, instead of being the bondage to restrain man's tendency to sin by injuring his fellow men, became a liberation to distribute to men new material benefits inhibited by the boundaries of the market. The market could be transcended because human nature, the basis of the market, could be transcended. Just as money could be redefined, so banking could be redefined. If government could replace natural money with liberating government paper, so governments could replace natural banking with legislated banking that could give an inflationary shot in the arm to the economy.

Lee Benson shows how the conflict over Banking led to the restoration of the two party system after the Era of Good Feeling (ch. II). He details in Chapter IV the conflict between "Positive versus Negative Liberalism." In the Jacksonian world view, "equality could be



achieved only by a complete repudiation of the positive state . . . they converted egalitarianism into an ideological weapon to destroy the authority and prestige of the state and its officers" (Benson, pp. 94–95).

The strong aversion by Jacksonians to state legislation is indicated by Benson (p. 95):

If every member of the community could engage in any "profession, business, or trade not hurtful to the community," without "charter, license, impediment, or prohibition" . . . and if none but general and equal laws were passed, "declaring the duties and reciprocities of the community and its members to each other respectively; protecting individuals in the enjoyment of their natural rights of property, prohibiting aggressions on them, and specifying the redress for all aggressions and the mode of obtaining it."

The Jacksonians stood for a banking system "predicated exclusively on the constitutional currency—gold and silver." Their consistent antimonopolist principles led them to insist that banking should be "left open to the free competition of all who choose to enter into that pursuit."

The Jacksonians built upon the contribution of the Jeffersonians. The financial leader of the Jeffersonians was the Genevan-born Albert Gallatin who was a founder of the Democratic party in western Pennsylvania. In 1796, Gallatin wrote a major statement of the Democratic party, fighting for its life against the Federalist measures to suppress opposition. *A Sketch of the Finances of the United States* declared "every nation is enfeebled by a public debt." Gallatin initiated his study by stating:

Almost all the expenses of government, but especially that species which most usually engenders a public debt, viz., the expenses of war, are a destruction of the capital employed to defray them. The labor of the men employed in the public service, had it been applied in the pursuits of private industry, would not only have supported them, but probably afforded them some reward beyond mere sustenance, and therefore would have produced an excess beyond their consumption, an addition to the national wealth, an increase of the capital of the community. The whole of their labor, however useful and necessary it may be, being totally unproductive, not only the community is deprived of that increase of capital which otherwise would have taken place, but their consumption, together with all that waste which necessarily attends the most

economically managed war, must be supplied out of the resources of the community at large, out of some capital which is annihilated by being supplied to that purpose. This evil, an evil of the first magnitude, is the consequence of the expenditure itself, and not of the means by which that expenditure is discharged. The capital, whether it has been raised by taxes or by loans, is destroyed on account of its being applied to an unproductive purpose; and that destruction of capital is to be charged to the object of expense, to the war, and not to the public debt which is commonly contracted for supplying the expense, for procuring the capital thus devoted to destruction. In that point of view, the only evil which arises from a habit of recurring to loans is that, by facilitating the means of raising capital, it tends to enlarge the scale of expenses, it encourages unnecessary ones; it thus indirectly promotes a great destruction of capital than would otherwise have taken place. (Gallatin, 1967: 31–33)

Albert Gallatin served as the clerk of the meeting of the Whiskey rebels in Pittsburgh in 1792. His election to the U. S. Senate was nullified by the Federalist majority of U. S. Senate. He served three terms in U. S. House of Representatives representing the Whiskey rebels, 1795–1801, and as secretary of treasury, 1801–1814. The Jacksonian Democrats had strong forebears in the Jeffersonian Democrats led by Jefferson, Madison and Gallatin.

Murray Rothbard had researched thoroughly the continuity of Jeffersonian economic analysis in the transition through the Era of Good Feeling (one party government under a Democratic Party with a Federalist program or a “Jeffersonian” Party with Hamilton’s statist program) to the emergence of Jacksonianism. This was presented in the publication of his Ph.D. dissertation: *The Panic of 1819* (1962a). The Jeffersonian continuity was described by Rothbard (pp. 137–140):

Virginia was a leading stronghold of hard-money opinion. Its leading statesmen, such as Thomas Jefferson, attacked any issue of bank paper beyond the supply of specie . . . Typical of Virginia opinion was an *Enquirer* (Richmond) editorial laying the blame for the crisis squarely at the doors of the banks. The only remedy was for the parasitic banks to be eliminated, with industry and economy allowed to effect a cure . . .

A writer from Petersburg, in southeastern Virginia, blamed the current plight on paper money and cited the French economist,

Destutt de Tracy (whose work was being translated under the supervision of Thomas Jefferson), to the effect that when a merchant could not pay his debts, the best he could do was liquidate and to become bankrupt quickly . . .

A unique monetary plan was offered by Spencer Roane, the great Chief Justice of the Virginia Court of Appeals and the leading foe, on behalf of states' rights, of Justice John Marshall's loose constructionist decisions . . . Virginia's hard money contingent, in its distrust of banks, recognized that the Bank of the United States had inflated proportionately less than did the bulk of the state banks. However, like Roane, they feared the bank as having greater potentialities for evil. As Ritchie asked: state banks were certainly evil, but "what is there to control the owner of the national bank."

The most famous and one of the most thoroughgoing opponents of bank credit was Thomas Jefferson. Jefferson reacted the panic of 1819 as a confirmation of his pessimistic views on banks. He elaborated a remedial proposal for the depression in a "Plan for Reducing the Circulating Medium," which he asked his friend William C. Rives to introduce in the Virginia legislature without disclosing authorship. The goal of the plan was bluntly stated as "the eternal suppression of bank paper." . . . In conclusion, Jefferson declared that no government, state or federal, should have the power of establishing a bank. He envisioned a circulation consisting solely of specie.

Governor Thomas Randolph, son-in-law and close friend of Jefferson, in his inaugural address in December, 1820, summed up the predominant Virginia attitude toward banks. Randolph stated that only specie, never paper, could be a measure of value. Specie, in universal demand, had a relatively stable value, while banks caused great fluctuations in the supply and value of money, with attendant distress. Randolph looked forward to the day when eventually the whole revenue of the government would be collected in specie only. He was willing to see the state print paper money, provided that it be absolutely convertible in specie and guaranteed to be equal in value to the specie owned by the state—in short, a 100 per cent reserve program.

Murray Rothbard was particularly impressed by Thomas Ritchie, publisher of the important Richmond *Enquirer*, fountainhead of Virginia Jeffersonianism, laissez-faire, and hard money doctrine. Ritchie

presented a three article analysis of the crisis and proposed solutions. Ritchie emphasized that specie was superior to paper because specie was in universal use throughout the world while paper was limited to a narrow geographical jurisdiction. Ritchie objected to a scheme which was a version of a "compensated dollar."

This "standard" was always changing in value, being affected by changes in many factors; especially the supply of government bonds, and the supply of and the demand for capital. These changes would be too numerous and subtle to be detectable by the government . . . The best course was to leave gold and silver alone; they would have infinitely fewer fluctuations than these "paper thermometers." (Rothbard 1962a: 125-128)

Rothbard concluded that the Panic of 1819 created a market for economic analysis to complement the practical economic principles derived from the experience.

Many of the anti-bank, ultra hard money leaders of the Jackson-Van Buren period first came to a hard money position during this depression. Andrew Jackson himself foreshadowed his later opposition to banking by making himself the fervent leader of the opposition to inconvertible paper in Tennessee. Thomas Hart ("Old Bullion") Benton, later Jackson's hard money arm in the Senate, was converted to hard money by his experience with banking in Missouri during the panic. Future President James K. Polk of Tennessee, who was to be Jackson's leader in the House and later to establish the ultra hard money Independent Treasury system, began his political career in Tennessee in this period by urging return to specie payment. Amos Kendall, later Jackson's top advisor and confidant in the bank war, became an implacable enemy of banks during this period. Condé Raguette, though not a Jacksonian politically, did favor the Independent Treasury plan. He was converted to hard money during the Panic of 1819, after having been a leading inflationist since the end of the War of 1812. (The depression also converted Raguette from a protectionist to one of the leading champions of free trade.) Raguette's depression-born search for stricter controls over bank credit expansion led him to be one of the leaders in the free banking movement of the late 1820s.

One of the most impressive aspects of the discussions about the depression was the high intellectual level of the debate, as carried on in newspapers and elsewhere. Participants showed familiarity with English and Continental economists and with the English

reviews, and attempted to relate their practical proposals to a framework of theory to a degree that seems remarkable today. (p. 188.)

Murray Rothbard's final contribution, *Classical Economics* (1995b) presents the theoretical contribution of the economic writers of the Jacksonian period. A most important theorist was President Andrew Jackson's Amos Kendall (1789–1869). Rothbard sees Kendall as an early utility theorist, and describes Kendall's understanding of the economy.

Rothbard saw at an early stage of his life as a graduate student that the Jacksonian period was a defining one in American history. It was a period in which important scholarly developments in economics were paralleled by popular economic analysis. Rothbard saw the direct connection between the economic analysis and the successful popular political movement represented by Jacksonianism.