

ROUNDTABLE 3: RACE AND MONEY

M. O'Malley, Money and the Limits to Self Making

May 28, 2020

Michael O'Malley, George Mason University

American debates about money have always reflected our fundamental ambivalence about capitalism itself. The very same people most enthusiastic about the “free market” are often the people most likely to imagine a standard of value outside the market, something impervious to negotiability. For most of American history, into the present, “specie,” gold or silver, has served that purpose. Prices and value might fluctuate, but gold’s allegedly “intrinsic” value would never change. We love the idea of self transformation: the “American dream” holds that no one should be confined by the circumstances of their birth. But that same negotiability undermines the differences between people, and so Americans have long wanted to imagine forms of identity that can never be negotiated. For much of American history we have insisted that white people can renegotiate their social, and economic place at will, but no extent of market commerce makes a black person white. The idea of race stands outside of the market: it’s the “gold standard” that makes other forms of negotiation possible. We can see this clearly in the history of money in the US, particularly in the Civil War and Reconstruction.

For most of our history politics was divided into “hard” and “soft” money positions. Hard money advocates wanted a limited money supply, ideally tied to a specie standard. They often argued for gold, because gold had a supposedly natural value beyond the reach of politics. Hard money theorists typically spoke for the holders of capital: “hard money” generally meant higher interest rates and greater profits for lenders. “Soft money” partisans wanted a loose, expansionist money supply

because it fostered economic growth and drove interest rates down. If hard money partisans imagined a “natural” economy operating with no government intervention, the soft money camp wanted a managed economy, which could expand or contract the money supply as needed. The most extreme soft money position argued for greenbacks, a purely paper money economy with no ties to gold, as we have today.

But the hard money camp had always regarded paper money as an abomination, a lie, a cheat and a fraud. “Let the public believe that a smutted rag is money, it is money,” scoffed a critic in 1858: “a sort of financial biology, which made, at night, the thing conjured for, the thing that was seen.”^[1] Those who favored “hard money” saw greenbacks as a violation of natural law, artificial: “paper-money banking,” wrote Andrew Jackson’s advisor William Gouge, created “an artificial inequality of wealth,” as men of dubious character puffed themselves up on paper money. The inequalities of wealth produced by a gold economy Gouge saw as “natural” and just: paper money, “miserable, ragged, and loathsome trash,” destabilized the social order. “Everything of fixed value will lose [its] value” if “vagabond” paper money circulates, insisted one Ohio Congressman. The *New York Herald* compared those who argued for paper money to real estate brokers who, “with a few strokes of the pen convert a rickety old farm house...into an elegant villa surrounded by a spacious lawn,” or theatrical managers, whose “genius renders a beggarly account of empty boxes into a crowded and fashionable house.”^[2] These objections reflect anxiety not just about economic values but about social values, status hierarchies, the differences between things and people. Paper money created “artificial” social distinctions, as opposed to social distinctions imagined as natural. It elevated the wrong kind of person.

Out of necessity, the Union financed the Civil War by issuing legal-tender greenbacks, a pure “fiat currency” not backed by gold or silver. The greenbacks proved extremely successful;

the North won, and the war stimulated economic growth while inflation remained moderate. As the War went on the Union also increasingly embraced the abolition of slavery, and eventually, by 1862, the enlistment of African Americans in the Union Army. Frederick Douglass thought military service would bring about racial equality. He wrote "Once let the black man get upon his person the brass letters U.S., let him get an eagle on his button, and a musket on his shoulder, and bullets in his pocket, and there is no power on the earth or under the earth that can deny that he has earned the right to citizenship."^[3]

But critics argued that black men in uniform represented an artificial inflation. "Great things are expected from this new principle of military amalgamation," commented the *New York Herald*: "Whether it will change the Ethiop's skin to white or convert the white man's skin to black remains to be tested." The *Herald* wondered just how much the uniform—the representation of citizenship—might change its wearer's basic character. Would African American soldiers become the things they "imitated?" African American soldiers were like the greenbacks themselves: a counterfeit. "For finance, issue Greenbacks; for war, Blackbacks," one critic of the administration argued. Lincoln's critics saw paper money and African American soldiers as analogous.^[4]

"How Are You Greenbacks," a song written in 1863 for the minstrel show, began by describing greenbacks as agents of the Union in war:

*We're coming father A-bram, one hundred thousand more
Five hundred presses printing us from morn till night is o'er
Like magic you will see us start and scatter thro' the land
To pay the soldiers or release the border contraband*

And it ended by comparing greenback dollars to African American soldiers led by editor Horace Greeley:

We're coming, Father A-bram, Nine hundred thousand strong

With nine hundred thousand darkies, sure the traitors can't last long

With Corporal Cuff, and Sergeant Pomp, to lead us in the melee

And at their head, without a red, Our Brigadier General Greeley.^[5]

Arguments comparing "negro soldiers" to greenbacks appeared in the Presidential campaign of 1864. "Jokes, Niggers, Greenbacks—all play'd out," mocked the chorus of one song: "Who will care for Old Abe now?" McClellan stood for the return of gold, the song continued. "When 'Little Mac' is in the White House, Greenbacks will vanish—Gold come down!

"We're fighting for the nigger now," went another:

I calculate of niggers we soon shall have our fill,

With Abe's proclamation and the nigger army bill.

Who would not be a soldier for the Union to fight?

For, Abe's made the nigger the equal of the white.

This song also claimed that the soldier "must be loyal, and his officers obey, Though he lives on mouldy biscuit, and fights without his pay...Though he waits six months for Green-Backs, worth forty-five per cent." The song treats greenbacks, elevated to a position of equality with gold they can't sustain, as part of the same mentality that has elevated African Americans to a counterfeit equality. It concluded "when old Jeff Davis is captured, paid up you may be: If you

do not mind the money, don't you set the nigger free."

In the decade after the war two debates preoccupied American politics: what to do with the ex-slaves, and what to do about money. "Greenbackers" insisted money was nothing more than what we all agreed to use. Greenback paper dollars derived their value from the nation's common purpose, and more specifically from the courage and sacrifice of those who fought to support the union cause. "As surely as our flag represents...the unity of these States," declared a Michigan greenbacker, "just so surely, sir, do the United States Treasury notes represent the cost of life and blood and treasure, the priceless value of that unity of States."^[6] What was gold compared to that?

An 1878 campaign poem claimed:

O, Greenback, veteran of the years!

Thou crippled soldier of the war!

Baptized with blood and wet with tears.

To-day thou art without a scar.

Thou stood upon the picket line

Wherever hissing bullets flew...

Thou stormed the forts; thou sped the ships;

Thou dealt the gunboat's timely blow;

Thou forged the cannon angry lips

That screamed a welcome to the foe.

Thanks, Greenback! Veteran of the years!^[7]

Greenbacks, wrote New York Congressman Clinton Merriam, had

made citizens of the ex-slaves. "The greenback was the first thing they ever earned that they could call their own, the first thing, save our flag, that stood before them, a symbol of their freedom." Greenbacks symbolized government's power to overturn the natural law arguments that justified slavery. "With it they soon learned a power to gather together long-broken families into a common home," Merriam continued. "To the colored men the greenback rose above the dignity of language; to them it almost bore the dignity of religion." [8] Greenbacks made it possible for slaves to own property and establish families, the two bulwarks of republican citizenship. They also taught the religion of saving and self advancement.

After slavery, black Americans could act as free agents: they could negotiate for themselves instead of being negotiated over. They could renegotiate the meanings of their very persons, and for a time, Reconstruction attempted that renegotiation on a grand scale. The response was both to intensify and harden the notion of race, and to insist with equal ferocity on the gold standard and the idea of a natural, Darwinian law of value. Gold money supposedly enabled a "natural law" economy, in which men's true merit revealed itself, and most gold bugs had no doubt that in that hierarchy, African Americans would remain on the bottom. Reconstruction failed because it presented Americans with the negotiability of meanings—with the radical implications of market exchange. When white Americans looked hard at the possibility of renegotiating what "race" meant, they doubled their bet on gold. By 1873, the US was on course to a money supply based on gold.

We can see in this period how debates about money and race were enmeshed. Gold stood for allegedly natural values and "real" social hierarchies: greenbacks stood for the idea that social hierarchy was constructed, and that value was nothing more than social convention. Americans regularly fight and

die for the freedom to remake ourselves in the marketplace. Yet the US has never managed to rid itself of the problem of racism. Deeply embedded in debates about money, we see our own fundamental ambivalence about the implications of the American dream.

—

[1] Baldwin, Joseph G., *The flush times of Alabama and Mississippi: a series of sketches* (NY 1858) p. 82.

[2] "Monopoly and Paper Money," *The United States Democratic Review* 35, no. 6 (June 1855), 440; George Pendleton quoted in Alexander Harris, *A Review of the Political Conflict in America, from the Commencement of the Anti-slavery Agitation to the Close of Southern Reconstruction* (NY 1876) p. 250; *New York Herald*, (18 October 1862).

[3] Frederic May Holland, *Frederick Douglass: The Colored Orator* (Funk & Wagnalls, 1891) p. 301.

[4] *New York Herald*, (22 May 1863); Albany, *New York Atlas and Argus*, Jan. 19 1863, quoted in Forrest G. Wood, *The Black Scare: the Racist Response to Emancipation Reconstruction and Reconstruction*, (Berkeley, CA 1970) p. 44.

[5] E.B Bowers and Chas. Glover, *How Are you Greenbacks* (Wm. A. Pond & Co., New York, 1863).

[6] *Congressional Record*, 43rd Congress, 1st Session, (Ap. 9 1874) 2967.

[7] Bourbon ballads. Written for the *New York Tribune* by W.A. Croffut. Extra No. 52. Monographic. Online Text. <https://www.loc.gov/item/amss.as101480/>.

[8] *Congressional Record*, 43rd Congress, 1st Session, (Mar. 27

1874) 2546.