"A Just Application of Democratic Principles": The Fiscal Conservatism of Salmon P. Chase

MARK A. NEELS

One of Abraham Lincoln’s best-known cabinet ministers, Salmon P. Chase has not always fared well at the hands of historians, who have traditionally portrayed the treasury secretary as little more than a political creature—ever grasping for the reins of political power. In recent years, there has been little investigation of Chase’s principles of governance because, frankly, many scholars have assumed that he had none. The problem with this interpretation is that it is rooted in most Lincoln scholars’ desire to contrast Chase’s ambitious personal style with Lincoln’s endearing personality. If Lincoln was a heroic, visionary leader, then Chase and Lincoln’s other political adversaries must have lacked the very characteristics that made Lincoln great. In other words, because Chase served as a member of Lincoln’s government and yet still challenged Lincoln’s leadership, Chase must have been unprincipled in his own pursuit of power.

Historian Frederick J. Blue recently argued, however, that historians should reevaluate Chase’s political career through the prism of his strict morals. Chase, Blue maintains, was willing to use whatever means necessary to promote his ideals about freedom and equality. This portrayal of Chase as maintaining loose partisan affiliations—meaning that he jumped from party to party to build coalitions in support of higher ideals—elevates him from the traditional interpretation.

1. This portrayal of Chase as a political opportunist has been promoted by such recent authors as Doris Kearns Goodwin and David Herbert Donald, and has its roots in the recollections of biased contemporaries of Chase and Lincoln. For a sampling, see Doris Kearns Goodwin, Team of Rivals: The Political Genius of Abraham Lincoln (New York: Simon and Schuster, 2005); David Herbert Donald, Lincoln (New York: Simon and Schuster, 1995); Stephen B. Oates, With Malice toward None: A Life of Abraham Lincoln (New York: Harper and Row, 1977); William Henry Herndon and Jesse W. Weik, Life of Lincoln (New York: Da Capo Press, 1942); Isaac N. Arnold, The Life of Abraham Lincoln (Chicago: A. C. McClurg, 1884); Lincoln—By The Men Who Knew Him (Bloomington, Ill.: Pantagraph Printing & Stationery Co., 1910).
of a man in wanton pursuit of power to that of one governed by a personal quest to bring about his vision of American nationalism.  

Blue applied his argument mainly to Chase’s crusade for antislavery reform during the antebellum period, but the same method can be utilized to reassess Chase’s later political career—particularly his official actions as treasury secretary and chief justice of the United States. After review of the development of his philosophy on public finance throughout his career as a lawyer and public official, and comparison of his opinions on this issue with those of other hard-money conservatives in Lincoln’s cabinet, it becomes clear that, while Chase’s promotion of the Legal Tender Act (1862) and the National Banking Act (1863) seemed radical, his fiscal ideals were quite conservative. It is true that Chase sometimes compromised his positions on certain issues to achieve lofty goals, leading some historians to inaccurately label him as a political opportunist. In that sense, however, Chase was more like Lincoln than Lincoln’s admirers realize. Both men, after all, consistently promoted the Union and the restriction of slavery, and as Lincoln once stated, he (like Chase) was willing to stand with anyone who was right “while he is right and part with him when he goes wrong.” In the case of public finance, while Chase began his public career as a National Republican defending the Second Bank of the United States, he eventually settled into lifelong support of hard-money, pro-state-bank Jacksonian ideals. Furthermore, while he suspended his personal convictions on public finance during the war for the sake of preserving the Union, in the war’s immediate aftermath, Chase reverted to his advocacy of hard-money policies. At heart, then, at least on this particular issue, Salmon Chase was relatively consistent.  

**Antebellum Roots**  

During the Civil War, Chase was highly criticized by conservative Unionists—both inside and outside the cabinet—for actively assisting in the fundamental alteration of the nature of America’s financial system. Since the Bank War of the 1830s, banking and monetary policy had largely been a state, rather than a national, affair. The Civil War,
however, created a scenario not imagined by the Jacksonian antibank crusaders of the previous generation. To pay both the troops and the contractors who provided food and other supplies to them, the national government needed to take greater responsibility for the management of money.

For Chase, the daunting financial crises posed a personal ethical dilemma. Coming of age during the second quarter of the nineteenth century, he had a ringside seat at the financial battles that defined the Jacksonian era. From this vantage point, contrary to the opinions of his political critics, Chase developed a unique perspective on money and banking that remained with him as he entered the Treasury Department in 1861. To understand this perspective and how it influenced Chase’s actions in the 1860s, it is appropriate to recap the financial political history of Chase’s early adulthood.

In the first half of the nineteenth century, both paper and specie served as acceptable currency throughout the United States. Daily transactions between Americans, however, primarily involved the exchange of paper notes issued by local state and private banks. Specie was usually reserved in bank vaults, to be redeemable, when absolutely necessary, upon receipt of paper notes. However, as historian Lawrence Kohl explained, because wealthy individuals—who enjoyed greater access to various forms of material wealth, including land and specie—seemed more capable than common farmers and laborers to weather the ups and downs of the economy, and because farmers, unlike wealthy businessmen, were less able to comprehend the complicated nature of banking, a general distrust developed between the “common man” and the “moneyed interests.” A symptom of the Market Revolution, this class conflict, in turn, influenced national politics. To that end, President Andrew Jackson—a wealthy planter acting on behalf of lower-class Americans who speculated that bankers had peddled paper notes off to them while hoarding specie for themselves—vetoed the recharter of the Second Bank of the United States in 1832. This general skepticism of banks, and the president’s actions in response to it, helped boost the Democratic Party’s image as champion of the individual American. In contrast, National Republicans and their later Whig descendants defended paper money as beneficial to the working classes. Banks, they argued, created the potential for American financial and political advancement by extending credit to enterprising Americans. Furthermore, banks were necessary to stabilize the economy, allowing for the emergence of not only a strong domestic market but also one that was incredibly competitive on the global scale. Still, these and other arguments led the
common American citizen to see Whigs as elitist. In the years following Jackson’s veto, ensuing events only strengthened this ideological divide.

President Martin Van Buren was in office only thirteen days when a financial crisis erupted in New York. By April 1, 1837, the deposit (or “pet”) banks, which had held the federal reserves since Jackson ordered their withdrawal from the Second Bank of the United States in 1833, suspended specie payments. Besides disrupting all levels of the American domestic economy, the subsequent economic depression was ultimately felt worldwide—just as Whigs had warned it would. To solve the problem, Van Buren turned to the radical antibank politicians in his party, who claimed that the root of the crisis lay in depositing federal revenues in state banks, which they distrusted as much as the late national bank. To correct the mistake, they posited, required a complete divorce of the federal government from all banks. To that end, in the summer of 1840 Congress passed the Subtreasury Law, which permanently isolated the federal government from banking interests by directing that federal revenue be deposited directly into the U.S. Treasury. Six years later (after an interregnum in Democratic control of Congress and the White House) Congress also passed the Independent Treasury Act, which suspended the use of paper notes by the federal government, demanding instead that all future treasury transactions be conducted in gold.

The actions of Jackson, Van Buren, and their Democratic colleagues to break the power of the Second National Bank did not result from new ideas. Rather, these individuals were simply treading the well-worn path blazed nearly half a century earlier by Thomas Jefferson and his band of small government, states’ rights Republicans. As historian Marvin Meyer observed, the later Democrats saw themselves as refighting the Jeffersonian Republican crusade against a resurgent Federalism in the form of the probank Whigs. After all, did not their Whig opponents express some of the same anxieties regarding the rise of popular democracy as Hamilton’s Federalists had? Did not the Whigs likewise share the Federalists’ optimism for economic growth through the expansion of banking, credit, and industry? Indeed,


Democrats saw their crusade against the Whigs and the Bank of the United States as a battle between good and bad government, and they even used the term *anti-republican*—just as their Jeffersonian ancestors had—when discussing their adversaries.6

Thus Democrats argued both in their ideology and in their policies that they were the true inheritors of the Jeffersonian tradition. Much like their patriarch’s crusade against the First Bank of the United States, their fight against the moneyed interests in the 1830s was rooted in a fear of the centralization of power and in a strict constructionist reading of the U.S. Constitution.7 Indeed, as Lawrence Kohl observed, Democrats “glorified Jefferson . . . whose Declaration of Independence was a document that clearly burst old bonds, separated men from outworn institutions, and liberated them as individuals.”8

To be sure, looking to Jefferson’s example for solutions to modern problems had its limits. After all, Jefferson was notorious for changing his mind on a variety of issues. Naming him as their political idol, then, naturally compelled Chase and his contemporaries to cite the

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8. Kohl, *Politics of Individualism*, 33. For an in-depth examination of the connections between the Jacksonian Democrats and the Jeffersonian Republicans, see Robert V. Remini, *Martin Van Buren and the Making of the Democratic Party* (New York: Columbia University Press, 1959). Jefferson best expressed his views on banking and currency, and the role they played in individual lives, in the early 1790s during the battle over Alexander Hamilton’s financial program. Noble E. Cunningham, for one, argued that although they were merely a “faction,” and not a unified political party in the early years of the republic, the Jeffersonian Republicans nonetheless founded their small-government, states’ rights philosophy on the pivotal issue of the bank’s incorporation. While Hamilton argued that banks (whether state or national institutions, private or public) were necessary to fund debt, establish credit, and issue an elastic currency, Jefferson instead insisted that banks merely indebted one class of people (agrarian farmers and laborers) to another (commercialists and financiers). If the national government were to establish such an institution, then, it would be creating a third party in the relationship between the people and the government that might, in time, use its power over finances to tyrannize the states and the people. Quoting the Tenth Amendment, that “all powers not delegated to the United States, by the Constitution, nor prohibited by it to the States, are reserved to the States or to the people,” Jefferson wrote to President George Washington in 1791 that Congress had no constitutional authority to build such a bank, and that even if it did, to do so would institute Congress “with power to do whatever would be for the good of the United States; and, as they would be the sole judges of the good or evil, it would be also a power to do whatever evil they please.” See Thomas Jefferson, “Opinion on the Constitutionality of a National Bank,” February 15, 1791, in Julian P. Boyd, Charles T. Cullen, and John Catanzai, eds., *The Papers of Thomas Jefferson* (Princeton, N.J.: Princeton University Press, 1950), 19:275–80.
wisdom of the third president as the impetus for their proposed solutions to political issues, even though the policies these men devised often contradicted one another. Although both parties claimed to be the inheritors of the Jeffersonian tradition, everything depended on which part of Jefferson’s public career the opposing organizations focused. On the issue of economic policy, Democrats looked to the Jefferson that waged ideological warfare against Hamilton’s machinations in the 1790s. This focus made them more conservative than their Whig counterparts, who looked instead to the probank, pro-economic-expansion Jefferson and James Madison of the 1820s.

Chase had particular difficulty reconciling his own views with those of the two major political parties of his day. Early in his public career, he sided with the National Republicans, defending the Second National Bank against Jackson.9 Chase’s opposition to Jackson, however, was likely more a result of his compulsion to safeguard his own occupation as an attorney in the firm representing the Cincinnati branch of the National Bank than of an ideological disagreement with Jackson’s policies. It was likewise not a rousing endorsement of anti-Jacksonian economic theories. Indeed, when Jackson won reelection in 1832, Chase showed as much disdain for the president’s political opponents as he did for the president. “Why could not Mr. Clay & his friends see,” wrote Chase to Hamilton Smith in November 1832, “that the salvation of the country was put in jeopardy, by his [Clay’s] continuance in the field?”10 Eight years later, in August 1840, Chase denounced both major political parties for embracing the base, ruthless quest for power rather than seeking to govern for the benefit of the whole nation. “I feel disgusted with party strife,” Chase wrote to a friend, “and am greatly chagrined on seeing the means to which both parties resort to gain their ends.” Nonetheless, Chase felt sure the Democratic Party was the more corrupt of the two, and therefore resolved to support the Whig candidacy of William Henry Harrison. Still, the boisterous partisan campaigning in 1840 gave Chase pause. For him, the slogans, rallies, bonfires, and all-around carnival atmosphere of the “Log Cabin Campaign” only degenerated government. “I fear the results of this excited contest upon the religious and moral character of the country,” Chase wrote. “I think the chosen cries of the

9. In one instance during his early career, Chase had personally described Old Hickory as an “ignoramus” and a “rash, violent military chief.” Frederick J. Blue, Salmon Chase: A Life in Politics (Kent, Ohio: Kent State University Press, 1987), 11.
Whigs party calculated to promote intemperance. I see among their leading orators the reckless, the unprincipled and the intemperate.”

In the same letter, Chase expressed his concern over the failure of political parties to address the growing issue of the extension of slavery—which he believed would consume national politics in the coming years. Given the debased state of political rhetoric in 1840, Chase predicted that antislavery men in both parties would soon be forced to set aside their earlier financial disagreements and join in a new political organization committed to limiting the power of slavery. To that end, his actions during the following decades were motivated by a desire to reconcile his own views, as well as those of other antislavery Whigs, with antislavery, financially conservative Democrats.

In 1848, Chase told Joshua Giddings his thoughts on slavery and the two-party system. Although the whirl and rush of the Market Revolution had dominated the debate between Whigs and Democrats since their inceptions, the recent war with Mexico, along with the increasing immigration of European free laborers to America, had elevated the debate between free labor and slavery to the national level. Still, while he was uncomfortable with the success of southern slaveholding interests in monopolizing the machinery of the national Democratic Party, he was no less convinced that the Whig Party could shake its own attachment to the peculiar institution. A third option was desperately needed.

In an 1868 letter to August Belmont, Chase reflected on his personal struggle with party affiliation. “For more than a quarter of a century,” he wrote, “I have been in my political views and sentiments, a Democrat; and I still think that, upon questions of finance, commerce, and administration generally, the old democratic principles afford the best guidance.” The sole issue separating him from the national Democratic Party in 1848 was his moral convictions against slavery. To be sure, contemporaries may have chosen to see Chase’s statement as that of a chief justice seeking the Democratic presidential nomination. Still, Chase’s public record shows that he was consistent in this regard. Many northern Democrats like Chase were antislavery. Still, although privately guided by their moral convictions, many Democrats chose

12. Ibid.
14. Salmon P. Chase to Joshua Giddings, February 29, 1848, Joshua Giddings Papers, Ohio Historical Society (Columbus); Niven, Papers of Salmon P. Chase, 2:168.
not to publicly question slavery’s morality, focusing instead on the contradiction between slavery and free labor democratic principles. Because, following the Mexican War, the national party seemed to defer more and more to the slaveholders within its ranks, Chase and his fellow antislavery Democrats concluded that it had actually failed to “make just application of democratic principles.” As such, Chase wrote to Belmont, he regarded himself “as more democratic than the democrats.”

Chase’s Democratic core, as expressed to Belmont, was best displayed during his term as governor of Ohio from 1856 to 1860. As he moved to strengthen the Ohio antislavery coalition, Chase showed his fiscal conservatism by publicly backing a proposal by hard-money, antimonopoly men to curtail the power of public banks within the state. If this action seems an abandonment of his earlier defense of the Bank of the United States, it is important to remember that Chase never formally endorsed Whiggish probank policies. Furthermore, uniting probank and antibank men in the same free-soil organization required a middle-of-the-road approach. To discover Chase’s personal view of public finance, probank Free-Soilers needed merely to review Chase’s actions in drafting the 1848 Ohio Free-Soil Party platform. Chase called for such things as the repeal of Ohio’s Black Laws, while also connecting Free-Soil principles with the Jeffersonian conservatism of an earlier generation by acknowledging proposals to tax corporations and monopolies, as well as the partial prohibition of state banks. “We reproach the old line democracy,” Chase wrote to Ohio state senator Milton Sutliff in 1851, “for their inconsistency in allying themselves with slaveholders to effect their purposes. We profess to see more clearly and to follow more unreservedly the teachings of Jefferson. But in what is our inconsistency less, if we yield to alliances with the Bank Power or Monopoly Power, for the sake of carrying particular points of our own.” While the new Free-Soil Party was not necessarily of one mind on banking, most of its members still saw themselves as Jeffersonians. Combining Jeffersonian fiscal principles with Jeffersonian antislavery principles, Chase meant to help Free-Soilers recognize that the things that united them—namely their idolization of the third president of the United States—were greater than those that divided them.

15. Chase to August Belmont, May 30, 1868, Niven, Papers of Salmon P. Chase, 5:221.
By the late 1850s, as the new Republican Party actively courted anti-slavery Democrats and Whigs who favored the expansion of banks, Chase once again compromised his fiscal principles for the loftier goal of slavery’s restriction. Hoping that the new party would nominate him for president in 1860, Chase acknowledged the importance of both a strong protectionist tariff and the bolstering of local banks to the economy. Yet he never went so far as to endorse a national bank.

To curry favor with the new political coalitions in the North, he had to meet them at least halfway on issues other than slavery. As Marc Egnal observed, the cry for financial reform in the years immediately preceding the war was loudest in the Midwestern and Mid-Atlantic states, which would be most influential in choosing the next president, both at the Republican convention and in the general election.18 Referring to Republican demand for economic reform, Chase wrote in 1859 that no man “deserves the name of an American statesman who would not so shape American legislation and administration as to protect American industry.”19 And to that end, just three years after first restricting state banks, he now proposed a state law expanding Ohio banks and creating a more elastic currency. Both of these measures, however, were ultimately blocked by a referendum. Clearly the people of Ohio were not as willing as their governor to make the same compromise with Eastern protectionists.20

Chase’s actions during the 1850s suggest that on the surface, his fiscal principles were governed by the winds of political expediency. However, such an assertion does not take into consideration Chase’s disaffection with the major political parties of the second party system, including his disappointment with Henry Clay’s probank candidacy in 1832. Furthermore, it does not consider that Chase never explicitly endorsed the Second National Bank, and that his management of hard-money and banking reform measures in Ohio during the 1850s foreshadowed his management of the U.S. Treasury during the 1860s.

Banking Associations and Greenbacks in the Civil War Era

In the 1960 preface to *The Jacksonian Persuasion*, Marvin Meyers quoted an “astute critic,” who reminded him of “an old Kentucky saw: If you

want to know what a politician is up to, watch his feet, not his mouth.” Even so, Meyers refused to believe that ideology played no role in a politician’s actions. The mouth and the feet were, in his opinion, part and parcel of the same process. “The historical observer of Jacksonian Democracy who does not watch the politician’s mouth,” he argued, “misses . . . the main intention of the movement and a principal source of its attraction for the political public.”

Meyers’s argument holds weight in the case of Chase who, in his actions as treasury secretary, revealed a truly Jeffersonian ideology underlying his seemingly shallow political expediency.

One day in early January 1862, as Quartermaster Montgomery Meigs later recalled, President Abraham Lincoln entered Meigs’s office at the war department. Pulling up a chair next to the fireplace and staring forlornly into the flames, Lincoln proceeded to unload his burdens. “General,” the president asked, “what shall I do? The people are impatient; Chase has no money and he tells me he can raise no more; the General of the army has typhoid fever. The bottom is out of the tub. What shall I do?”

Although this anecdote is commonly used by historians in reference to Lincoln’s woes regarding the slow progress of the Army of the Potomac in the Peninsula campaign, Lincoln’s reference to Chase’s financial difficulties suggests that, in the effort to win the war, the president equated the nation’s financial well-being with its military prowess.

Lincoln by no means exaggerated the seriousness of the situation. By December 1861, Chase was indeed out of money. While the Lincoln administration entered the Civil War with two advantages over the Confederacy—an established Treasury and a sure source of revenue from tariffs—the depression of the previous four years had taken a significant toll on the nation’s ability to fund the war. By 1861, revenues were down by 30 percent, and the national debt was the highest it had been in more than forty years. Chase did what he could to control demands on his department; securing short-term bank loans at 7.3 percent and selling bonds to both bankers and ordinary citizens at small denominations of fifty dollars. Congress too did its part during the special session in August 1861 by levying the first income tax in American history. Nonetheless, despite their best efforts, the nation’s finances continued to unravel.


Exacerbating the problem, unwelcome news early in December 1861 that Great Britain was contemplating declaring war with the United States over the Trent Affair sparked a decline in stock prices and a general run on specie. As a cautionary measure, on December 29, Chase ordered John J. Cisco—assistant treasury secretary in New York—to halt specie payments in exchange for bank notes. The greatest difficulty in implementing this policy, the secretary perceived, would be the overwhelming demand from merchants supplying the army and navy, which had already stretched the nation’s credit. Despite the recent measures taken by the Treasury, if the Union war effort were to continue unimpeded, Chase reluctantly concluded, Congress would have to adopt a more elastic currency. ⁵⁴

To that end, Congress passed and Lincoln signed into law the Legal Tender Act, authorizing the Treasury to print $150 million in paper bills (commonly referred to as greenbacks). Backed by the government’s full faith and credit, instead of specie, these new notes were to be accepted as payment for all debts, both private and public, except for import duties and interest on government bonds, which were still expected to be paid in gold. Exactly one year later, on February 25, 1863, Congress took an even greater measure to reform the nation’s financial system by passing the National Banking Act, which established a national banking system in which any group of five or more banks with a minimum of $30,000 in capital could form a national association. These associated banks could then purchase federal bonds and issue national banknotes (yet another legal tender aside from the greenbacks already in circulation), which would be worth up to 90 percent of the value on those bonds. ⁵⁵

Chase gave lukewarm support to these reforms as a means of bringing order out of chaos. Since the introduction of the Independent Treasury in the early 1840s, the states had held sole control over currency and bonds. In 1861 this system meant that over sixteen hundred banks provided notes in various denominations. Frequently, these notes were counterfeit and often insecure. The greenbacks provided the chance to institute a nationwide, easily manageable, uniform currency. What was more, at the same time that it passed the Legal Tender Act, Congress suspended the requirement that Treasury transactions be conducted in gold. This measure allowed specie to remain in bank vaults, rather than requiring its continual recirculation. Surprisingly,

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though, while Chase should have been relieved by the repeal of the
gold requirements, given the powerful stresses that the financial mess
had placed on his department, he instead refused to comply with the
provision—an action that historian Bray Hammond attributed to “an
unquestioning reverence for gold.”26 Thus, in his refusal to release
the Treasury Department from its specie obligations, Chase revealed,
perhaps for the first time publicly, a profound concern over the radical
nature of this new fiscal policy.

Because he was by nature not a banker but a lawyer, Chase focused
his energies as treasury secretary primarily on constitutional reforms.
For instance, he believed that the practice of state banks issuing their
own paper currency was unconstitutional, and that the use and
acceptance of their notes as payment in substitution of specie was
tantamount to an endorsement of their unconstitutionality. Nonethe-
less, he was careful in proposing reforms. Because he favored hard
currency, he never gave more than half-hearted support to the idea
of paper notes. Indeed, the plan for the greenbacks was not even
his. It originated with Philadelphia banker John B. Austin, who, on
behalf of New York’s biggest financial institutions, strongly lobbied
the treasury secretary for his support. Only after those institutions
followed through on their threats to suspend specie in late 1861 did
Chase personally endorse their proposal and bring it before Lincoln.27

In essence, then, early in the war, Chase adhered to a strict con-
structionist interpretation of national currency. His mixed response
to Congress’s alterations of the existing financial system indicate that
he was not guided by political expediency. Had he been, it is hard to
see how he would have ignored Congress’s leniency—possibly due
to Chase’s fellow Republicans dominating both chambers—toward
the Treasury Department on specie payments. Rather, his ideologi-
cal distrust of seemingly worthless paper notes led him to endorse
the proposals for legal tender only as a last resort and only partially.
He never abandoned his Jacksonian roots. Indeed, earlier in 1861, he
even proposed to Congress a series of taxes on state banknotes as a
means of encouraging the use of gold over paper, but several propaper
congressmen successfully blocked that measure.28

If anything, these early actions favoring specie over paper currency
should have earned Chase the respect of the bullionists within the

27. Ibid., 8–9.
28. Chase to Joseph Medill, October 16, 1861, quoted in Jacob William Schucker, The
Life and Public Services of Salmon Portland Chase (New York: D. Appleton and Company,
1874), 278–79.
Democratic and Republican parties, including his hard-money cabinet colleagues, Postmaster General Montgomery Blair and Secretary of the Navy Gideon Welles. After all, they too had a long history of distrust toward banks and the issuance of paper currency. A radical antibank Democrat, Welles never wavered in his hatred of banks of both the national and state variety. From his youth, his father (a Jeffersonian Republican in Federalist-dominated Connecticut) instilled in him a belief in the importance of individual property rights and the supremacy of local government. But, like Chase’s background, it was the political battles of the 1830s and the discourse over the power of banking interests on the national economy that solidified Welles’s antibank values.

As the editor of the *Hartford Times*, Welles championed the working man against what Jacksonians perceived to be a conglomerate of powerful banking interests.29 Like the party’s standard bearer, Welles believed that the Second National Bank protected the wealthy to the detriment of common people. As such, he called for that institution’s demise and in 1829, as a member of the Connecticut assembly, worked tirelessly to block the granting of new bank charters and to abolition imprisonment for debt. Indeed, he had once even proposed a tax on state banks similar to Chase’s own proposal at the national level in 1861. “The policy of incorporating institutions for banking purposes, and thus concentrating wealth,” Welles wrote in 1832, “we have always doubted.”30

Montgomery Blair’s political principles were nearly identical to Welles’s, and were heavily influenced by his familial connections to the political battles over finance during the Jacksonian era. His father, Francis Preston Blair Sr., had been a close associate of Welles’s as far back as the early years of the Jacksonian era, when both men supported Jackson over John C. Calhoun in the nullification controversy. They also shared an aversion to banking, which compelled their participation in crafting major national antibank legislation at the state and national levels during the antebellum years.31

As close political confidants of President Van Buren, Blair Sr. and Welles enjoyed unique influence over the government’s response to the economic panic of 1837. Expressing a common belief among

Locofoco Democrats that the deposit of federal revenues in state banks was as dangerous as depositing them into a national bank, both men advised Van Buren to support legislation completely divorcing the federal government from banks of every sort. At the same time, they attacked the idea of paper currency, urging Van Buren, in Welles’s words, to break forever “this fictitious connection between credit and currency whereby they act and react upon each other, to the great derangement of each.”

It is not difficult, then, to see Blair Sr.’s influence on his son’s financial ideology. Yet while bullionists, such as the Blairs and Welles, were initially pleased with Chase’s refusal to suspend specie payments for Treasury debts, Chase’s subsequent promotion of the Legal Tender Act was, in their minds, a betrayal of their Jacksonian ideals. Welles, for one, could not forgive such a perceived heresy by a supposed hard-money man. On October 10, 1862, he expounded in his diary on the effect of the new law, as well as Chase’s management of the Treasury. The printing of paper notes, Welles predicted, might “obtain momentary ease and comfort, but woe and misery will follow to the country.” As for Chase personally, Welles believed that he had a “good deal of ability” but that his lack of financial experience was a weakness in the office he currently held. Furthermore, Welles feared that the treasury secretary listened too much to unwise men (presumably referring to the bankers who had persuaded him to support the Legal Tender Act). It was a shame that Chase never bothered to formally consult his fellow hard-money cabinet members on the matter of monetary policy, for he had privately expressed to Welles their shared affinity for gold. “He and I have once or twice had conversations on these matters,” wrote Welles, “and our views appeared to correspond, but when he has come to act, a different policy has been pursued.” The Legal Tender Act, Welles believed, would ultimately lead to disaster. “All attempts in all countries and times,” he wrote, “to cheat gold and silver had proved failures and always would.” A clearer expression of Jacksonian financial principles would be hard to find.

Over the ensuing months and years, the relationship between Chase and Welles further soured. Just one week after their October 10 meeting, Welles expounded further in his diary on his disapproval of the

33. Niven, Gideon Welles, 178 (n.17).
greenbacks. Unlike his earlier entry, where he laid the blame for the passage of the Legal Tender Act at the feet of unwise counselors rather than Chase himself, this time Welles refused to excuse Chase’s complicity. “Chase,” he wrote, “is pursuing a financial policy which I fear will prove disastrous, perhaps ruinous. His theories in regard to gold and currency appear to me puerile.”

From there, disagreements between the two men turned personal. Chase believed that the Legal Tender Act was a matter of national security—a means of temporarily easing an otherwise dire situation—while Welles refused to compromise his hard-money principles. “In departing from the specie standard and making irredeemable paper its equivalent,” Welles wrote in his diary on February 3, 1863, “I think a great error was committed.” Then he caustically added, “I do not gather from Chase that he has any system or fixed principles to govern him in his management of the Treasury.” Finally, on April 14, 1864, Welles summed up his disagreement with Chase in an intimate conversation with Senator Lyman Trumbull: “I was a hard money man and could indorse no standards but gold and silver as the measure of value and regretted and distrusted the scheme of legal paper tenders.”

Welles overreacted in his criticisms of Chase’s management of the Treasury; even after the passage of the Legal Tender Act, Chase actively sought to hamper the centralization of power at the federal level by deferring as much as possible to state banks in the management of greenback circulation. Furthermore, the National Banking Act, although it established national associations, did not create an all-powerful conglomerate along the lines of the Second National Bank. What was more, these banking associations were completely in line with hard-money Jeffersonian ideals. Jefferson himself had proposed such a system in 1791 as a fitting alternative to Hamilton’s Bank of the United States. Nonetheless, the cautious measures on the part of Chase were still too radical for the locofoco secretary of the navy.

Hard-money conservatives were not the only members of Lincoln’s cabinet dissatisfied with the new financial programs. As Welles’s conversation with Senator Trumbull suggests, by the end of 1862, congressional conservatives were also expressing concerns and threatening

35. Ibid., 177.
the governmental solidarity essential to the success of these programs. Eventually, Chase learned of this backlash and, on February 17, 1863, broached the subject at a cabinet meeting. As Welles later recorded, Chase expressed surprise at learning that senators Jacob Howard and Trumbull vocally regretted voting for the National Banking Act. Both had believed it was unanimously endorsed by Lincoln’s administration.38

Welles interpreted Chase’s words to be a direct insinuation that Welles was somehow undermining the treasury secretary’s authority over financial matters. Welles therefore openly responded to Chase, confirming his personal opposition to the new banking system. Disgusted at what he perceived as further centralization of power, Welles confessed, he “[I] had never read his bill, had but a general conception of his scheme; that, so far as I was informed, it was not in conformity with my old notions, as he well knew.” Clearly, Welles’s reference to “old notions” was an allusion to his own pure Jacksonian principles and to Chase’s apparent betrayal of those ideals. “Though I had not been consulted,” Welles continued, “I had neither time nor inclination to study new theories, [and] was wedded to old doctrines and settled principles.”39 Clearly, Welles believed himself to be the true conservative. While he proudly claimed to have remained steadfast in his Jeffersonian antibank, antimonopoly views, he could not say the same for Chase.

Montgomery Blair was just as vehement in his opposition to the Legal Tender Act. In 1875, for instance, he reflected on its ineffectiveness, stating that it “only aggravated the evils it was intended to meet.”40 Five years later, he also expressed displeasure at Chase’s fiscal program, pointing out that the National Banking Act worked as a nationalizing force, providing the source of power by which Radical Republicans stifled states’ rights during Reconstruction. It did not matter that Chase’s bank associations were technically in line with Jeffersonian monetary philosophy. In a remarkably locofoco statement, Blair condemned the associations as a source of tyranny, for the law had settled the question of “whether the rich or the poor shall govern” by keeping power in the hands of the former rather than the later.41

39. Ibid.
While Chase’s support for the Civil War-era financial reforms appeared to men such as Blair and Welles to be little more than a redressing of Whiggish antebellum policies, in reality Chase’s ideas were quite conservative. It was always his hope that the greenback would be temporary in nature. Indeed, to emphasize this point, when initially introducing the bill in the House of Representatives, Ways and Means committeeman Elbridge Gerry Spaulding—Chase’s surrogate on this measure—described it as a stopgap solution. Furthermore, in preparing a report of his department’s conduct over the year—to be enclosed with Lincoln’s 1863 annual message to Congress—Chase reminded lawmakers that “a return to specie payments . . . at the earliest period compatible with due regard to all interests concerned, should ever be kept in view.” Noting that continual “fluctuations” in the value of the paper notes would be “injurious” to the economy, he further acknowledged that “convertibility—prompt & certain convertibility into coin is generally acknowledged to be the best & surest safeguard.” Finally, intending to be perfectly clear where he personally stood on the lifespan of the greenback, Chase opined that “it is extremely doubtful whether a circulation of United States notes payable in coin and sufficiently large for the wants of the people can be permanently, usefully & safely maintained.”

Not only did Chase seek to contract the supply of paper notes; he also hoped that the banking associations would ultimately be a bulwark against the nationalization of banking interests in the United States. Within his report to Lincoln was an assurance of the decentralized nature of the National Banking Act, which Congress was then deliberating. Chase conceded that the banking associations were expected to be more permanent than the greenbacks. But he believed there were no safer means of ensuring a stable currency than to let private entities with a minimal amount of specie in their vaults enter into association with other solvent banks and thus promote a currency of uniform value that would be at once both attached to the value of specie and recognized by the U.S. government as legal tender. In other words, the banking associations were key to making the greenback temporary. Strong national associations would undermine the need for fiat money.

Chase continued to defend the wisdom of this plan throughout the war. In an 1864 letter to William Pitt Fessenden, chairman of the Senate

44. Ibid.
Finance Committee, he wrote of his concern that inflation was on the rise as a result of several state banks that, still fearing the potential centralization of power under the Banking Act, had refused to concur with the Legal Tender Act and were instead issuing their own private notes. As a solution, Chase proposed a modest taxation on private notes as a means of forcing them out of circulation while simultaneously compelling the private banks into the national associations. He urged, however, that this proposal not to be interpreted as an endorsement of the perpetuity of the greenback, nor of a desire to crush small banks for the sake of larger ones. Rather, Chase wrote, by forcing these notes out of circulation and their institutions into national allegiances, “the only effect will be to bring all circulation under National control and prevent increase without sanction of Congress.”

Even now Chase refused to endorse the type of national conglomerate that Blair and Welles feared. And while both men continued to privately criticize Chase, despite his public defense of the conservative nature of his program, the treasury secretary’s correspondence between 1863 and 1865 revealed his hopes for a program built not from simple political expediency but instead from a number of compromise measures based on Jeffersonian principles and designed with the sole purpose of reinforcing the nation’s financial security and winning the war. If further evidence were needed, however, to reinforce Chase’s financial conservatism, one need look no farther than to his actions as chief justice of the United States during Reconstruction.

The Greenback and Reconstruction

On June 30, 1864, Welles recorded in his diary the news that Chase had tendered, and Lincoln had accepted, his resignation as treasury secretary. Welles saw Chase’s exit as a potential boon for the nation, as rumors abounded that the president planned to replace him with hardline bullionist David Tod. When Tod declined, Lincoln instead nominated Senator William Pitt Fessenden who, while pleasing to the
radical elements of the Republican Party, was—as his earlier communications with Chase revealed—nonetheless committed to the conservative plan to roll back the greenback. Fessenden served only briefly in the treasury department, leaving the cabinet in March 1865 to return to the Senate. Lincoln replaced him with Hugh McCulloch, a man that David Herbert Donald described as “colorless, but efficient,” and a “strong conservative.” Meanwhile Chase left public service in the fall of 1864, only to be nominated by Lincoln that December to replace the late Chief Justice Roger B. Taney, who had died in October.48

From the bench, Chase was a pivotal figure in attempting to roll back the centralized powers of the federal government and return the nation to prewar banking and financial policies during Reconstruction. He strongly supported McCulloch’s efforts to contract the circulating supply of greenbacks, which—with the coming end of the war—Chase no longer saw as a necessary. At the same time, he happily observed that the national banking associations were finally starting to work as originally planned. In a July 1865 letter to James Shepherd Pike, he echoed the hopes about taxing state banknotes expressed in his 1864 letter to Fessenden. Thanks to this policy, which, as chief justice, he would uphold in his 1870 opinion in Veazie Bank v. Fenno, he was pleased to learn that almost all of the state banks had now joined the national associations. As such, he believed that the time had now come to resume specie payments, a policy that he criticized McCulloch for being slow to implement.49 Indeed, one year later, in June 1866, when McCulloch had still not implemented full resumption of specie, Chase feared that the administration was making a serious mistake. “A fearless and sagacious secretary,” he wrote to Horace Greeley, “would have resumed a year ago, and let contraction take care of itself.”50 His criticisms were well founded, for in 1867 the continued circulation of greenbacks resulted in burdensome inflation of prices in the postwar economy.51

In February 1870 Chase reflected on his efforts, as treasury secretary, to control the number of greenbacks so that there would never be more in circulation at any time than there was specie in the national bank vaults. This change would, he believed, have kept postwar inflation down.52 In reality, while the two laws complemented one another, the

48. Donald, Lincoln, 536, 551, 552.
49. Chase to James Shepherd Pike, July 8, 1865, Niven, Papers of Salmon P. Chase, 5:56–57.
51. Chase to Horace Greeley, November 19, 1867, ibid., 5:179.
52. Chase to Edward Mansfield, February 11, 1870, ibid., 5:327.
Legal Tender Act had never demanded that greenbacks be connected directly to the later banking associations. The banknotes that were issued under that later legislation were recognized by Congress as legal tender, but they were not the same as greenbacks, which were not connected to the value of hard money. Thus, in his decision in *Hepburn v. Griswold* on February 7, 1870, feeling as he always had that greenbacks should have been retired long ago, Chase made his most lasting contribution to the postwar fiscal situation in the United States. His decision, furthermore, became the ultimate testimonial to his hard-money ideals, compromised for a time but never totally cast aside.

Ironically, in an act that paralleled his predecessor’s infamous ruling on the *Dred Scott* case, Chase used his opinion in a case involving whether greenbacks could be legally used as payment for debts incurred before the passage of the Legal Tender Act as an opportunity to rule in toto on the legality of the greenback. Much of Chase’s opinion reviewed the separation of powers among the branches of the federal government. His self-described constructionist reading of the Constitution suggested that it was the Supreme Court’s duty to try to uphold federal laws whenever possible. But whenever a law was found to be contrary to the original intent of the Constitution, Chase believed, it was then the court’s obligation to strike it down. During a national emergency, the Constitution operated differently than it did in peacetime. Congress may pass laws during national crises with the use of implied powers, but it did not necessarily enjoy the same privilege once the crisis had passed. The Legal Tender Act was an extraordinary reaction to a financial crisis that threatened to undermine the Union war effort, Chase concluded. In peacetime, however, Congress had the power under the Constitution to “coin” money but not to produce fiat money. Thus, Chase ruled, the government was now expected to retire the greenback in favor of specie.53

The response to Chase’s opinion in *Hepburn v. Griswold* was mixed. Radical Republicans, intent on maintaining the national government’s supremacy over state laws, condemned it outright, while Chase’s conservative former colleagues were bewildered. Montgomery Blair, for instance, thought it merely reflective of Chase’s catering to political expediency. Reflecting on the decision in 1875, Blair asked Elbridge

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53. Chase’s decision is consistent with other rulings decided by his court, including that made in *Ex Parte Milligan* regarding the suspension of habeas corpus in times of crisis and the trying of civilians by military courts. Salmon Chase, majority opinion, *Susan P. Hepburn et al. v. Henry A. Griswold*, Supreme Court of the United States, February 1870, *American Law Register* (1852–91), 18, no. 3 (March 1870), 175–89.
Gerry Spaulding, “Is there anything more surprising than that now, more than ten years after the war . . . the man who, as Secretary of the Treasury, recommended the measure, has, as Chief Justice, pronounced it not only unconstitutional, but a blunder, and as having impaired instead of aiding our credit.”

Blair, however, failed to consider that by 1870, the political atmosphere was not favorable to Chase. Instead of contracting the greenbacks, radical Republicans—who enjoyed a sizable majority in Congress—instead chose to continue their circulation. Indeed, within a few short years they would have actually expanded the circulation, had they not been checked by Ulysses S. Grant’s surprising veto of the Inflation Bill—a measure backed by Radical Republicans that provided for the printing of $44 million in new legal tender notes, redeemable in either gold or in government 5 percent bonds, and which provided for the recirculation of the notes following their initial redemption. The greenback’s expansion, Radicals argued, would embolden eastern bankers, who had grown wealthy during the late war through their investments in the national banking associations, and who now bankrolled much of America’s burgeoning industries as well as most Republicans’ political campaigns. Likewise, the greenbacks created a dependency on the national government that, in turn, reinforced congressional Reconstruction.

By this time, Chase and his fellow hard-money colleagues were relegated to a minority position in national politics—albeit a particularly vocal one that sometimes managed to sway moderate Republicans to their financial opinions. Indeed, even prior to their success against the Inflation Bill, these hard-money, free-trade advocates—with the help of prominent businessmen concerned about the inflationary nature of greenbacks—had managed to successfully persuade several eastern Republicans to vote against the radical wing of their party in the Andrew Johnson impeachment trial in 1868. The removal of Johnson, they feared, would have resulted in the ascendancy to the presidency of Senator Benjamin Wade, a hardline supporter of greenbacks. Johnson’s acquittal, conservatives understood, assured that Treasury Secretary McCulloch would be allowed to continue his effort to contract the supply of fiat money in the national economy—a policy endorsed by many of their eastern constituents. “Let Ben Wade become president,” wrote historian Michael Les Benedict, “let high-tariff and soft-money

interests begin a campaign to put their views into law, and many believed with [economist Edward Atkinson] that ‘the Republican party would cease to exist.’”

Thus, while radical Republicans scathingly criticized Chase’s opinion, most Democrats—were more willing to overlook the brazenness of Chase’s supposed about-face. Now making up the majority of the conservative opposition in Congress, these Democrats generally applauded Chase’s ruling in *Hepburn v. Griswold*. Nonetheless, as much as Chase gave hard-money advocates hope in the face of what they perceived to be the endless reign of radicalism, their hopes were ultimately short-lived. Soon, like his congressional allies, Chase was cast into the minority on his own court. When he released his decision in *Hepburn v. Griswold*, only seven seats on the court were occupied. Justice Robert Cooper Grier had retired the week before, and the recently added ninth seat had yet to be filled. Thus those judges who were pro-greenbacks were outnumbered. Believing that these empty seats undermined the legitimacy of the court’s opinion, the minority on the bench had requested that the decision be postponed until the court was again at full capacity. Chase, however, overruled them.

One year later, in May 1871, the court—once more at full capacity, including the newly appointed justices William Strong and Joseph Bradley—again took up the constitutionality of the Legal Tender Act. The case in *Hepburn v. Griswold*, no matter how much Chase may have wished to the contrary, dealt only narrowly with application of the act. Chase had erred by addressing the full constitutionality of the greenback. But in *Knox v. Lee* and *Parker v. Davis*, the court—with its new pro-greenback majority—finally confronted the overall legality of the Civil War-era financial system. Chase was forced to watch as his decision in *Hepburn* was not only overturned but discarded as having been made in error.

59. McGinty, *Lincoln and the Court*, 287. In a letter to John R. Tucker on May 1, 1871, Chase placed the blame for the reversal of *Hepburn* squarely at the feet of Grant, who managed to name two Radical Republican justices to the Supreme Court prior to the arguments in the *Legal Tender Cases*. Had the political consistency of the court remained as it was the year before, when *Hepburn* was deliberated, Chase believed that the greenbacks would have been ruled unconstitutional.
Known collectively as the *Legal Tender Cases*, these rulings safeguarded the continuing circulation of the greenback. With them, the Jeffersonian dream of a decentralized American financial system espoused by Chase and his hard-money colleagues began a slow decline toward irrelevancy that lasted the remainder of the nineteenth century. Ironically, the Supreme Court—Chase’s own institution—was largely complicit in this decline of financial conservatism during the Gilded Age. In 1884, for instance, in *Julliard v. Greenman*, the court upheld the greenback’s legality by a vote of eight to one. Likewise, when Congress finalized the road toward a centralized authority over finance with the passage of the Federal Reserve Act of 1913, the court was relatively silent on its legality. Although he had endorsed the greenback as a necessary evil during the worst days of the Civil War, in his actions as chief justice, Chase, concluded historian Brian McGinty, “took a stand against legal tender. But he was overruled by the tide of history.”60

Regarding Chase, the observation by a reviewer of Marvin Meyer’s *Jacksonian Persuasion*, who suggested that the key to understanding a politician was to look at his actions rather than his words alone, was indeed astute. Welles and Montgomery Blair never stopped believing him to be a charlatan of the conservative cause, but the reality appears to be contrary. A closer examination of Chase’s actions during the Civil War and Reconstruction and comparison of them with his evolution to antibank ideals during the 1840s reveals that, rather than being a pragmatist, Chase nonetheless embodied a fundamentally hard-money conservative view of fiscal matters.

Unfortunately, because Chase only ever fully exhibited his fiscal conservatism in his ruling against legal tender as chief justice, his actions have been attacked by financial conservatives both then and later as being motivated by shear political expediency. To be fair, Chase did not help to counter these criticisms by seeking the presidential nomination of the Republican Party in 1864 and then of the Democratic Party in 1868. Nonetheless, by the time of his monumental decision in *Hepburn v. Griswold*, it was difficult to claim that Chase was acting according to his reading of the political tea leaves. To accentuate this fact, one merely need ask the question, what did Chase have to gain politically in 1870 and 1871 by ruling against the greenbacks? He had already been rejected as an available presidential candidate by both major parties. Nor was he being floated as a legitimate candidate for the Liberal Republicans in 1872.

Welles and Blair had more in common with Chase than they would have liked to admit. Philosophically, all three were concerned about the centralization of power in the hands of the federal government, and all three truly believed that—in the hands of dishonest administrators—the Legal Tender Act and the later National Banking Act were among the keys to that centralization. Although Chase eventually endorsed these laws in the hope that they would bolster faith among investors in the perpetuity of the Union, his support was conditional on their being temporary in nature. In other words, as willing as he was to endorse the fundamental changes that the Lincoln administration’s policies brought to matters such as slavery, he was less willing to part with his Jacksonian hard-money roots.

In his postbellum career as chief justice, Chase used the power of his new office to undo the wartime policies of his former department. However radical his views may have been in regard to issues such as emancipation, Chase’s reluctance to endorse wartime expansions of government power in matters of public finance, and his attempts to return the nation to a gold standard during Reconstruction reveal that, fiscally, Chase was quite conservative. For one brief moment in 1862, Chase attempted to cast aside partisan and philosophical differences to save the nation. Everything rode, however, on the temporary nature of these wartime policies. Their continuation, and Chase’s inability to defeat them, were, in the minds of conservatives, examples of the tragic aftereffects of the war and the era of Reconstruction that followed.