

“Mathew Carey’s Learning Experience: Commerce, Manufacturing, and the Panic of 1819”

Cathy Matson

University of Delaware

A Paper Submitted to
“Ireland, America, and the Worlds of Mathew Carey”

Co-Sponsored by:
The McNeil Center for Early American Studies
The Program in Early American Economy and Society
The Library Company of Philadelphia,
The University of Pennsylvania Libraries

Philadelphia, PA
October 27-29, 2011

*Please do not cite without permission of the author

The Frustrations of Having an Economic Vision

When Mathew Carey arrived in Philadelphia in 1784 he was already convinced that North Americans could achieve the post-Revolutionary economic prosperity that they anticipated only by breaking their continuing dependence on English commerce and credit. He must have been heartened to see regular appeals that year in the Pennsylvania Gazette for “good policy” that would “multiply our currently modest productions and stomp out the luxuries of foreign parts.” Like so many Philadelphians who were getting busy with post-war recovery, “projecting new arteries of commerce and raising up new producing establishments,” Carey believed that the post-Revolutionary decade was a most auspicious moment to establish national self-sufficiency. So he wasted little time cultivating friendships with some of the mid-Atlantic region’s foremost nationalists who shared his perspective on America’s future, most notably Tench Coxe. New friends also helped Carey initiate a succession of printing businesses, which became a constant vehicle for spreading nationalist ideas in the years to come. In his early printing efforts, the Pennsylvania Evening Herald (Jan. 1785 to 1787), the Columbian Magazine (Oct. to Dec. 1786), and the somewhat more successful literary and editorial magazine, The American Museum (January 1787 to Dec. 1792), Carey established the core ideas of a political economy to which he adhered – with elaborations over time -- for “the next thirty years.”¹

¹ “An Act to Encourage and Protect Manufactures of This State,” Pennsylvania Gazette, Oct. 5, 1785; “At a Town Meeting,” *ibid.*, June 22, 1785; Carey, Essays on Political Economy, or the Most Certain Means of Promoting the Wealth, Power, Resources and Happiness of Nations (Philadelphia: H. C. Carey & I. Lea, 1822), Preface, p.vii, for “thirty years;” Carey, Auto-Biographical Sketches. In a Series of Letters Addressed to a Friend. (Philadelphia, 1829), v, where Carey claimed that his early writings coincided with the American System associated with Henry Clay and that the Amer System was his “life long pursuit.” The Essays on Political Economy was Carey’s compilation of some previously written tracts, including his most important writings during the Panic; it was, however, “a dismal failure financially,” according to Kenneth Rowe, Mathew Carey: A Study in American Economic Development (JHU Press: Baltimore, 1933), 85. The American Museum attracted positive recognition from Washington, Hamilton, and other nationalists;

For Carey, the bedrock of a viable political economy was protectionism, a wall of discriminatory tariffs designed to limit foreign imports and encourage production of those goods in North America. The prosperity that Americans yearned for in the new republic, argued Carey, would be impossible to achieve so long as they foolishly experimented with “unrestricted commerce” following the Revolution. In addition, he insisted that merchants had been lulled into believing the old channels of commerce in Britain would continue to sustain them long into the future, with “pernicious” results. By the end of 1784 gluts of overpriced goods were being “disgorged on our shores” by British merchants, specie flew from American port cities to pay for a portion of these “unnecessary and luxurious” commodities, and unwary citizens were falling heavily into debt to foreign merchants. Americans lacked, Carey consistently argued, an adequate “protecting power;” high discriminatory tariffs – which would keep British commercial competition at bay -- were essential in a young country that was scrambling to establish international commercial credibility and raise enough capital to make more of its own necessities. Once foreign goods flowed less copiously into the “infant country,” Americans would aspire energetically to meet their own growing domestic demand with new manufactures; in the

Tench Coxe was a regular contributor. For Carey’s early efforts in printing, see his Autobiography, p.490, where he acknowledges a gift of “four one hundred dollar notes of the Bank of North America” from Lafayette to get Carey started; also, pp. 491, 60-6, and p.65, where Carey writes of his “intense penury” during these early years. The Autobiography was first published in a series of thirteen installments as letters to The New-England Magazine, dated July 1833 through December 1834, which is the source I used. It is also published, along with other materials, as Cary, Autobiography (Brooklyn: Research Classics, 1942). See also, James Green, “Mathew Carey: Publisher and Patriot” (The Library Company of Philadelphia: Philadelphia, 1985), 5-7, 25-26; and Rowe, Mathew Carey, chap 1. For nationalists’ thinking during the 1780s and 1790s, some of which was compatible with Carey’s views, see Drew McCoy, The Elusive Republic, (Chapel Hill, 1980), 139-165; Cathy D. Matson and Peter S. Onuf, A Union of Interests: Political and Economic Thought in Revolutionary America (Lawrence, Kansas, 1990), chaps 2-3; Matson, “American Political Economy in the Constitutional Decade,” in The U.S. Constitution: The First 200 Years, ed. R. C. Simmons and A. E. Dick Howard (Manchester, UK, 1989), 16-35; Matson, “The Revolution, the Constitution, and the New Nation,” in Stanley Engerman and Robert Gallman, eds., Cambridge Economic History of the U.S., vol. 1 (Cambridge, MA, 1996), 363-401; and Matson, “Capitalizing Hope,” in Paul Gilje, ed., Wages of Independence: Capitalism in the Early Republic, (Chicago, 1997), 117-136.

meantime, manufacturers needed the “interposing [of] the powerful aegis of governmental protection in favour of that important portion of the national industry devoted to convert the rude produce of the earth into such shapes and forms as are demanded by the necessities, the comfort, or the luxury of mankind.” As early as the mid-1780s – and continuing through the 1820s -- Carey believed high discriminatory tariffs were the single most important means to break dependence on British commerce and create inviting conditions for manufacturing.²

Many nationalists concurred. George Logan, Tench Coxe, and William Barton, for example, assured readers of the American Museum that protectionism along America’s coastline would establish the basis for the free flow of business within America. James Madison, from a more southern vantage, believed that the same combination of discrimination against foreign goods and close attention to petty manufacturing in America would secure a “natural harmony of interests” across all regions. Protectionism also figured prominently in early manufacturing societies in Philadelphia – Carey being a founding member of many of them – including the short-lived Society for the Encouragement of Manufactures and Useful Arts in 1787-1788, and the Pennsylvania Society for the Encouragement of Manufactures and the Useful Arts in the early 1790s.³

² Carey, Essays on Political Economy, “Preface,” p.i; Carey, Auto Biographical Sketches, Letter III, p.16-17; Letter IV, p.21-26. Carey also believed there were too many importing merchants and too few manufacturing entrepreneurs; see Auto Biographical Sketches, Introduction, p.xiv; Letter II, p.10-11. For overviews of tariffs as policy and intellectual argument, see, e.g., Jacob E. Cooke, Tench Coxe and the Early Republic (Chapel Hill, NC, 1978); Philip R. Schmidt, Hezekiah Niles and American Economic Nationalism (New York, 1982); Maurice G. Baxter, Henry Clay and the American System (Lexington, KY, 1995); and Nicholas Onuf and Peter Onuf, Nations, Markets, and War: Modern History and the American Civil War (Charlottesville, 2006).

³ For example, Tench Coxe, “Statements . . . in Reply to the Assertions and Predictions of Lord Sheffield” (1791), and “Sketches of the Subject of American Manufactures” (1787), in Coxe, A View of the United States of America (Philadelphia, 1794), 111-285, 34-56; William Barton, The True Interest of the United States, and Particularly of Pennsylvania, (Philadelphia, 1786) p.11; Barton, “On the propriety of investing Congress with the power to regulate the trade of the United States,” American Museum 1 (Jan 1787), 13-17; idem, “To the Printers of the Museum,” American Museum 7 (June 1790), 285-292; [George Logan], “A Farmer,” “Five Letters addressed to the

Although Carey's appeals for high discriminatory tariffs and more manufactures resembled planks in the Federalists' platform, his advocacy of a small producers' manufacturing republic veered sharply away from plans such as the Report on Manufactures that Hamilton put before Congress in 1791. Carey also developed some doubts about the practices of the First Bank of the United States (although he supported the Bank in principle). He was convinced that liberal lending from local and state banks to the country's ambitious entrepreneurs was an essential ingredient in a healthy political economy, and he insisted that such local lending needed the guiding regulations of the national Bank to act as a watchdog over the smaller banks that might be tempted to put their money into circulation far beyond their available reserves of specie and risk collapse. But Carey was not pleased when the national Bank shirked this responsibility. First of all, rumors were flying that the Bank lent large funds to merchants who invested not in domestic development projects and manufactures, but in trade with Britain and France. Secondly, Hamilton was, from Carey's point of view, promoting the wrong kinds of Bank investment in manufacturing, as when Hamilton's 1791 Report on Manufactures envisioned lending "pecuniary bounties" to wealthy commercial interests and "monied men" for pet projects (especially the scandalous speculative scheme called the Society for Establishing Useful Manufactures, in New Jersey), but failed to provide a general plan of protectionism and liberal bank loans for the more numerous "enterprising class" of small investors. Thirdly, Carey's displeasure crescendoed with the Panic of 1792, when a few Federalist speculators went on a

yeomanry of the United States," #5, American Museum 12 (Sep 1792), 159-61; Coxe, "Address to the Friends of American Manufactures," American Museum 4 (Oct 1788), 341-346; James Madison, "Fashion," Mar 20, 1792, Robert Rutland et al., eds., The Papers of James Madison, (Charlottesville: Univ Press of Va, 1962), 14:257-259. On manufacturing societies, e.g., "An Act to Encourage and Protect the Manufactures of This State," Penna Gazette, Oct. 5, 1785; Lawrence Peskin, Manufacturing Revolution: The Intellectual origins of Early American Industry (Baltimore: JHU Press, 2003), esp. chapter 5; and Andrew Shankman, Crucible of American Democracy: The Struggle to Fuse Egalitarianism and Capitalism in Jeffersonian Pennsylvania (Lawrence, KS: Univ Press of Kansas, 2004), 106-109.

spree of borrowing cash from numerous merchants, tradesmen, shopkeepers, and widows, which they invested in national (and other banks') stock, and then shorted that stock, with the consequence of ruining hundreds of Americans and bringing the new nation's fledgling financial institutions to the brink of disaster.⁴

There were other reasons Carey distanced himself from Federalist political economy in the 1790s. The Federalists' Tariff of 1789, for example, was a misguided political pastiche that fell far short of the country's needs. "A more unjust or partial tariff could scarcely be devised," wrote Carey, for it taxed agricultural goods such as cotton and hemp, which were essential ingredients of early manufactures in America, and at the same time permitted many competing European manufactures to enter America virtually duty-free. Foreign imported textiles, for example, were assessed a 5% ad valorem duty in 1789, while raw cotton was charged a 12% duty. This "unbalanced approach" to taxing the nation's commerce would continue for years to come; indeed, nationalists' efforts to raise tariffs on foreign manufactured goods from 1789 to 1810, wrote Carey, were a "lamentable waste of time." From Carey's point of view, Federalists were forever bolstering merchants' commercial interests and compromising the "true interests" of manufacturing. But American manufacturers were also a source of frustration to Carey, for they failed to step forward and demand more government protection of their own interests. American consumers, too, were so

⁴On the Bank in 1791, Matson, "American Political Economy;" compare to Kenneth Rowe who wrote that Hamilton's 1791 (defeated) program for manufactures spurred Carey's thinking; "Carey definitely claimed Alexander Hamilton as his spiritual father;" Rowe, Mathew Carey, 114. On the SEUM and Panic of 1792, Cathy Matson, "Public Vices, Private Benefit: William Duer and His Circle, 1776-1792," in New York and the Rise of American Capitalism, ed. Conrad Wright and William Pencak (Univ Press of VA, 1989), 72-123.

blinded by their tastes for foreign textiles and household goods that they could only deliriously sing “cuckoo notes” for coveted foreign finished goods that carried “no importing duties at all.”⁵

Other Federalist policies deepened Carey’s concerns during the 1790s, especially when he began to articulate another component of his political economy: interregional harmony. Carey’s early advocacy of an interregional harmony of interests – which would remain in the core of his political economy henceforth, and which was woven into Henry Clay’s famous American System -- was dependent on collaborative development across regional geographies; peaceful prosperity under a protectionist umbrella that favored American commerce against competitive European merchants; flourishing agricultural exporting; and rising American producing potential in every region, including the West. Such a view had little room for posturing by political factions. While “secessionist” Federalists stymied the steady progress of expansion and improvement in the West, wrote Carey, too many Republicans had become enamored of free trade in the Atlantic world (to which I will return below). The Federalists’ Whiskey Tax took valuable personal income out of small entrepreneurs’ and farmers’ pockets, and the Jay Treaty was an undue continuation of British influence on Americans’ shaping of the West. Belligerence on the high seas during the 1780s-90s, the Haitian Revolution starting in 1791, and almost constant warfare between England and France after 1793 all interfered with the ability of Americans to advance their own developmental objectives, and Federalist “policy errors” did little to help troubled international affairs. So long as Americans could benefit from neutral shipping to England and France, they could count on a measure of commercial recovery; but in the see-sawing unpredictability of the Napoleonic Wars,

⁵ On the Tariff of 1789, Carey, Auto-Biographical Sketches, Letter IV, p.21-22, 25-26; and Carey, Autobiography, 481. On open importation, *ibid.*, p.32; Carey goes on: free trade was “as much waste of capital and industry, as the most infuriated warfare could have done” before 1810. For Carey’s anger about city manufacturers’ apathy, see Auto Biographical Sketches, p.92-93. Also see, McCoy, The Elusive Republic, (1980), 139-165; Matson and Onuf, A Union of Interests: Political and Economic Thought in Revolutionary America, chaps 2-3; Matson, “American Political Economy,” 16-35.

Federalists all too often chose to befriend England instead of France. Given Carey's abiding animosity against England, his positions were predictable.⁶

Jeffersonians who rose into power by the end of the 1790s offered some comfort for Federalist "policy errors." Their animosity toward England heartened Carey. Around the time that Carey joined the board of directors of the newly chartered Bank of Pennsylvania in 1801 (a position that "afforded considerable facility for meeting my engagements" in the printing business through easy bank loans), he also welcomed moderate northern Jeffersonians' support for liberal bank lending policies to craftsmen and small manufacturers.⁷ But Carey was not entirely pleased with Jeffersonian ideological and policy directions. Free traders (many of them southern) and many merchants who rejected steeper tariffs (many of them mid-Atlantic), prompted his gravest concerns. Years later he reflected back on the early 1800s, and was "astounded" that so many Jeffersonians rejected the wisdom of protectionists' arguments, and that so many Federalists rejected the kind of tariffs that would help small entrepreneurs. Over and over, he wrote, the protectionists had "triumphantly refuted" all hesitations about moving headlong toward national self-sufficiency, but too many political leaders continued to believe "that we had not capital to spare [for investing in manufactures] . . . that our labour was too dear to allow us to compete with European or Asiatic industry . . . [that] it was our duty to direct our industry to the cultivation of the soil . . . that protecting or prohibitory duties would destroy commerce." In short, detractors offered, from Carey's point of view, too many unfounded excuses. There was, however, a redeeming Jeffersonian

⁶ *Autobiography*, p.505; *Auto Biographical Sketches.*, 27-28, 32. Two other points underscore Carey's difficulty finding a political place in America: (1) Many Republicans would have had little love for Carey, given his association with higher tariffs and the national Bank. (2) The "wicked" Shaysites who demanded extreme issues of paper money for debtor relief, which Carey believed was a sure recipe for inflationary economic disaster. Although Carey opposed the Haitian Revolution, he did applaud the infusion of capital that refugees brought into North America; although he opposed the great speculators in land companies, he did support easy credit to middling Americans to move West.

⁷ On Carey's BNA position and credit he got there from a "small account" and some personal endorsements through the BNA, see *Autobiography*, p. 233, for quote; and p.95-96.

moment during 1807 to 1809, when Carey and fellow nationalists cheered the commercial restrictions against foreign commerce, in the hope that many merchants would have to reckon with the heightened risks of commerce and turn to other investments. Higher insurance rates, privateering, piracy, and wildly fluctuating markets, thought Carey, would present mid-Atlantic traders with the option of either retiring from trade or investing in “infant manufactures.” This would be a ripe moment for merchants with capital, “projectors” with plans for new enterprises, and banks with liberal credit to combine in a concerted drive for manufacturing. The Philadelphia Manufacturing Society, founded in 1808 by such a combination of interests and funded by subscriptions from prominent nationalists such as Coxe, Carey, Samuel Wetherill, Charles Jared Ingersoll, George Mifflin Dallas, Israel Israel, and John Binns (publisher of the Democratic Press), was intended to publish nationalist perspectives and coordinate efforts to put political pressure on state and national policy makers. It was one of the first voluntary organizations outside the halls of legislatures to explicitly blend “the best ideas” about economic development with plans for winning legislation. That the Society never achieved much became one more source of frustration to Carey.⁸

Given Carey’s perception of a huge gap between the nation’s economic needs and potential, on the one hand, and its insufficient political leadership, on the other, the Bank recharter debate of 1810 loomed large. Despite his criticisms of how the national Bank had been used in practice, he remained a supporter of its regulatory and lending functions in principle. This was not an easy line to toe: critics of rechartering the Bank (not entirely correctly) linked the national institution to

⁸For the long “triumphantly refuted” quote, see Essays on Political Economy, “Preface,” 1. For commercial restrictions in the mid-Atlantic, see Louis M. Sears, “Philadelphia and the Embargo: 1808,” Annual Report of the AHA for the Year 1920 (Washington, DC, 1925); and J. David Lehman, “Explaining Hard Times: Political Economy and the Panic of 1819 in Philadelphia,” (Ph.D. Diss., UCLA, 1992), 66-69. On the Society, see Scharf and Westcott, History of Philadelphia, 531. Many of these nationalist figures also supported Simon Snyder’s successful bid for governor in 1809 (and opposed Lieb and Duane); Snyder was in office for nine years. This same cluster of city nationalists also tended to support entrepreneurs and employers against waged tradesmen, especially in labor disputes – a story deserving its historian.

“moneyed speculators” and “unwary citizens.” They also associated the national Bank with the liberal lending policies of state and local banks that had put a flood of paper notes into circulation, in turn prompting a “mania of speculation” in land and public improvements – and the inevitable decline in bank note values. This widespread public perception that all banks were connected in waves of “most unrepublican speculation made it difficult for Carey to advocate rechartering the national Bank because of its regulatory purposes and to advance his argument that state and local banks were essential sources of liberal lending to entrepreneurs – instead, Carey became vulnerable to being aligned with the “moneyed interest” he so disliked. He had little choice but to put as positive a spin as he could on the national Bank’s main “legitimate object” -- to uphold the currencies and regulate the lending practices of state and local banks, so that banks everywhere could extend valuable loans wherever needy entrepreneurs demanded them. Yet despite sending a copy of his carefully reasoned pamphlet, Desultory Reflections, to every member of Congress at his own expense, his argument (and those of other pro-Bank interests) gained little traction and the Bank recharter vote failed.⁹

Carey had little time to lament the failed rechartering of a national bank; beginning in 1811 state governments began chartering scores of new banks that poured easy credit into an expectant economy. Coupled with the continuing restrictive commercial policies, Carey once again held out

⁹ Carey, Desultory Reflections upon the Ruinous Consequences of a Non-Renewal of the Charter of the Bank of the United States, (Philadelphia, 1810). Also, Carey, Autobiography, pp. 53, 311, 312; Edward C. Carter II, “The Birth of a Political Economist: Mathew Carey and the Recharter Fight of 1810-1811,” Penna History 33 (1966), 274-288; and Carey, Letters to Dr. Adam Seybert, Representative in Congress for the City of Philadelphia, on the Subject of the Renewal of the Charter of the Bank of the United States (Philadelphia, orig. 1810; repr. 1811; repr. General Books, 2009). Although at times allied with Carey, William Duane, publisher of the famous Philadelphia Aurora, opposed rechartering the Bank in 1810-11. Albert Gallatin, Secty. of the Treasury during the 1810-11 recharter debates, agreed with Carey; see Kim T. Phillips, “Democrats of the Old School in the Era of Good Feelings,” Penna Magazine of Hist and Biography, 95 (July, 1971), 363-382. Carey hoped that Stephen Girard would aid his efforts to recharter the Bank; earlier, both men supported lower taxes on ground rents and the initiation of taxes on stocks; e.g., Autobiography, p.308-09. Carey’s future collaborator in the American System, Henry Clay, opposed recharter because it would interfere with the operations of state banks; he would reverse this position in 1816.

hope that small investors might finally enter a salutary phase of mill- and factory-building, and he was joined by the voices of many other nationalists who, as the War of 1812 got under way, reiterated their expectations that wartime commercial restrictions would force merchants to invest in more domestic manufactures. But by 1814, Carey had grown disappointed once again when it became clear that the combination of commercial hardship and liberal bank lending were not spurring much manufacturing. In his hugely popular 1814 pamphlet, The Olive Branch, Carey once again rehearsed his critique of the American political economy – one already developed in earlier writings -- and urged a number of remedies for the difficulties and anxieties of the war years. Foremost, he called for an end to factional and sectional antagonism; Federalists, he charged, had made cooperation across political lines all but impossible, while Jeffersonians shirked their responsibility to think deeply about the developmental policies that required active government intervention. Secondly, Carey again addressed the “ruinous commercial course” merchants pursued since the Revolution. Long-term warfare among European powers had lulled Americans into believing their prosperity depended on carrying American commodities in neutral ships to hungry fighting Europeans, but export markets periodically collapsed because American merchants could not control their dependence on those foreign markets. Now, the War of 1812 further “deranged” commerce, proving definitively that dependence on foreign markets – especially British ones -- for sales of agricultural exports was “foolish” in the extreme, especially because Americans were ill-prepared for blockades and privateering. The resulting wartime “desultoriness of our markets” pushed scores of merchants into insolvency, hundreds of regional inhabitants into homelessness when they could not pay rent, and thousands into structural unemployment. Instead of shaping banking and protective policies to redirect investment energies into the domestic economy, factionalized politicians and erroneous economic policies only reinforced international commercial dependency. Under these conditions,

untold numbers of Americans, said Carey, were leaving the settled states to look for more security in Cuba, Nova Scotia, and India, and the Mississippi Valley remained closed to American expansion so long as the British were undefeated.¹⁰

During 1814, Carey also returned the matter of banking. During the war, Pennsylvania's legislature chartered a whopping forty-one [some historians say forty-two] new *state* banks, hoping to meet the frenzy of demand for more credit. At first, Carey was guardedly supportive of these new institution; despite Congress' failure to recharter the national Bank, he felt, the proliferation of small banks might be the most expedient solution for meeting wartime necessities. But a familiar pattern emerged quickly: the newly chartered banks provided so many easy loans to hundreds of Pennsylvanians that within months, the infant institutions came dangerously close to collapsing in insolvency. By early August 1814 Philadelphia banks were stretched thin by wildly overextending their loans not only to land and stock speculators, but also to ambitious commercial farmers and "projectors" throughout the state, on the risky presumption that borrowers would eventually repay the loans. But a large proportion of the loans were renewed repeatedly and co-signed on little more than the word of equally indebted friends (a practice of guaranteeing notes among trusted associates and friends that Philadelphians had done for decades). The weakness of making these "country loans" of sinking or uncertain value out in the newly settled hinterlands affected lending in Philadelphia, too. In Fall 1814, city bank directors took little time in announcing that they would refuse the notes of western banks except at a heavy discount. By September, city bank directors also learned that the notes transferred to them from rickety southern banks were sinking in value because their specie

¹⁰ The Olive Branch, or Faults on Both Sides, Federal and Democratic, first published November 8, 1814, by Carey; reprinted in second and third editions, 1815; were ten editions by 1819. Also see reflections in Carey, "Three Letters on the Present Calamitous State of Affairs, Addressed to J. M. Garnett, President of the Fredericksburg Agricultural Society" (Philadelphia, 1820); and Green, "Mathew Carey," 27-29. Carey advocated other important policies in The Olive Branch as well; e.g., staunching the flow of emigration by distributing western land more democratically; initiating a range of internal improvements; licensing brokers; and limiting interest rates on loans.

reserves were dangerously low. Carey and his friends in Philadelphia predicted the potential for deep credit contractions.¹¹

In keeping with his abiding belief that small investors and entrepreneurs needed liberal credit on generous terms, even (perhaps especially) during wartime, Carey responded to the tightening credit crisis by issuing a circular letter that pleaded with the city's bank directors to stop redeeming unsound notes being delivered for payment, even at steep discounts, and to suspend specie payments. Instead, Carey urged, city banks should agree together to lend liberally to small traders and businessmen on the basis of new paper credit. Within a few days, city bankers did just that, although probably based more on the impending credit crisis than on Carey's recommendation. But the strategy did not work well. Now free to extend loans on a lick and a promise, without a specie backing, Pennsylvania banks extended themselves even further. Distance between city and western banks compounded the problems of communication and timely note exchanges, forcing wholesale merchants in the city to accept note payments in hugely inflated forms of paper from the interior – notes that were then refused when merchants presented them at Philadelphia banks. In war, as in peace, Carey observed, the proliferation of state and local banks had the potential to help Americans turn toward essential manufacturing, but by drenching the region in easy credit these institutions had created more problems than solutions for his goal of unleashing entrepreneurial energies.¹²

¹¹Carey, *A Friend to Public Credit, To the President and Directors*, 1814; Carey, *Auto Biographical Sketches*, 34; Robert Blackson, "Pennsylvania Banks and the Panic of 1819: A Reinterpretation," *JER*, 9 (Autumn, 1989), 335-358. Within three years, Findlay won the governorship. The legislature passed the enabling law over Governor Simon Snyder's veto, but garnered the solid support (indeed, the authorship of the bill) of his Treasurer William Findlay, a sometime supporter of the national Bank.

¹²Carey, *A Friend to Public Credit, To the President and Directors*, 1814; "Circular Letter from the Committee Appointed at a Meeting of the Citizens of Philadelphia, Held October 2, 1819," published Oct. 13, 1819, repr in *Essays on Political Economy*, 229-237. See also Carey, "Letters to Bank Directors," in *Essays on Banking*, (Philadelphia, 1816), 88-91. City merchants were also hounded by southern creditors whose notes were refused by mid-Atlantic banks; Lehman, "Explaining Hard Times," 152-157.

History Repeating Itself: After the War

At the end of the war, Philadelphians gave a collective sigh of relief, anticipating that peace would bring renewed commerce, rejuvenated internal connections, jobs, and lower food prices. Their expectations sounded eerily like the optimism of the early 1780s. “We closed the war with the highest éclat,” Carey wrote in retrospect, having “every rational prospect of a continuance” of rising prosperity. Elsewhere he proclaimed that the war “emancipated us from our former slavish dependence on the looms and the anvils of Great Britain.” Congressman Charles Jared Ingersoll, a fellow supporter of manufactures and protective tariffs, concurred that peace brought a “vision of prosperity” for territorial expansion, new urban enterprise, and new foreign markets. Tench Coxe felt certain in 1815 that manufactures “have passed the infantile stage. They are now adult,” for enough capital and labor had been invested in them by then that they could not collapse under any post-war conditions. And at first, the visible evidence of foreign ships returning to the city and carts moving mountains of goods through the streets seemed to ratify writers’ anticipated post-war prosperity. Merchants plunged into unprecedented amounts of importing, while farmers inundated the city with goods. Bankers and brokers added to the frenzy of post-war optimism, offering loans galore for start-up ventures in shopkeeping or real estate. Many Philadelphians expressed a contagious confidence that post-war demand in Europe for American food and cotton would soar, and the initial climb of prices for exports seemed to validate this prediction.¹³

¹³ For quotes, Carey, The Crisis: A Solemn Appeal to the President, the Senate, and the House of Representatives (Philadelphia, 1823), 14; Carey, The Olive Branch, 341; Carey, Autobiography, 322; Lehman, “Explaining Hard Times,” 116, 117-118. For similar optimism, see Carey’s reflection that the war brought “a revolution, immense, striking, glorious, and delightful,” in The Olive Branch, 10th edition, 1818, p.22; Carey, Auto Biographical Sketches, p.33-34; Carey, Essays on Banking, 1816, 18; and Carey, “Addresses of the Philadelphia Society for the Promotion of National Industry,” first published in a series of newspaper contributions beginning in March 1819, then appearing in a

In these first optimistic months of 1815, Carey returned to his argument for higher protective tariffs and expanding bank credit with renewed conviction. To critics of his protectionist views, Carey was adamant in these first post-war months that Americans were becoming increasingly free of their “former debilitating dependence” on Britain – a goal he had advocated for years. Further, he directly tackled the fear among many of the city’s most successful international traders that in order to develop manufactures, capital would be diverted away from their commerce – no such “zero sum” approach to using available capital, wrote Carey, was on the minds of nationalists in his circle. The rise of manufactures was not dependent on the decline of commerce; instead, commerce, agriculture, and manufactures would rise together through “protection applied against foreign competitions,” liberal bank loans, population growth and expansion, and internal improvements. To critics of his liberal banking views, Carey also had a confident reply. Borrowers and lenders had harbored an unhealthy attachment to gold and silver for generations, and it was time to “enter the new era.” They need not worry about the periodic contraction of specie (a recurring problem since the colony was founded), or grow anxious when banks stopped redeeming their notes in specie (as had happened in 1814), because a thriving entrepreneurial economy was better served by a flexible supply of bank notes anyway. Bank notes could be expanded to meet the needs of an enterprising people (he did not explain how the supply of notes might be contracted when necessary). Further, while specie’s value was set by dangerously fickle world markets, bank notes did not have an inherent value of their own and could be set at levels that measured the true value of labor and goods “among our own enterprising people.” In addition to becoming detached

number of reprints, and finally compiled together in 1822 in Essays on Political Economy; see p.13. William Crawford wrote to Albert Gallatin in 1816 that “In many respects the nation was never more prosperous;” Crawford to Gallatin, Oct. 9, 1816, in Henry Adams, ed., The Writings of Albert Gallatin, 2 vols. (Phila: J. B. Lippincott & Co., 1879), 11. On optimism, also see Steven Watts, The Republic Reborn: War and the Making of Liberal America, 1790-1820 (Johns Hopkins Univ Press, 1987), 310.

from dependence on British goods, Americans might also become detached from the credit and finance of markets outside their own borders. “We might as well suppose that the nutriment and clothing necessary for a lad of five years of age would be adequate for a full grown man . . . as to suppose that the enormous increase of business, during the last year, did not require a great alteration and extension of the banking system.” When more cautious writers warned about the depreciation that inevitably followed from increasing the bank note supply, Carey expressed confidence that the regional market would correct this. When the number of loans banks issued during 1815 and 1816 grew enormous, he remained confident. “Liberality is nine times out of ten sound policy in banking.”¹⁴

But the post-war optimism in Carey’s thinking was premature, for the reality of persistent post-war economic troubles began to plague Philadelphians by 1816 and “blasted their hopes” for rapid recovery and new development, not unlike the difficulties of the 1780s. Philadelphians in every neighborhood began to ride a roller coaster of wild fluctuations in prices during 1816 and 1817 -- wilder than at any other time between the Revolution and the Civil War. Prices for household necessities were especially volatile during the first years of peace, and Pennsylvania real estate declined one-third in value, fueling a rise in bankruptcies and foreclosures. The prices of government stocks at first rebounded by a stunning 25% in just three days during February 1815, only to plummet later in the year. “Stock jobbers” in Philadelphia were reported to be “as hungry as wolves,” while real estate speculators flew into “a mania” of buying right after the war; but soon, the value of their purchases declined and real estate was “near impossible” to sell. Numerous merchants were tumbling into insolvency by early 1816, just a year after the end of war and three years before the Panic. As Carey put it,

¹⁴Carey, *Essays on Banking*, 23, 19, 25.

“The mercantile world is to a certain extent like the piles of bricks erected by playful children. The fall of one produces the fall of others – either immediately or remotely.” Output in “infant industries,” including new cotton manufactories, declined by some 60% from early 1815 to mid-1817. The newly formed Philadelphia Society for the Promotion of American Manufactures – another project of the nationalists following the war -- announced a “state of great depression” by the end of 1817. That same year, a few nationalists and tradesmen together formed the Pennsylvania Society for the Promotion of Public Economy, intended to address deepening poverty and unemployment, but lack of subscriptions put an end to it shortly. As publisher Hezekiah Niles, ever the vigilant nationalist, warned about overextended credit, if only “half the evil that is anticipated by intelligent gentlemen be felt, we shall have ‘such times’ as the present generation has never seen.” The new societies, however, did not achieve their intended objectives of arousing legislators to enact a “system of economy warmly favoring the government’s intervention.”¹⁵

Economic woes, Carey argued, were not due to the “want of energy” in people, but rather the “insipid policies” of legislators who would not – you guessed it -- raise tariffs high enough to protect new enterprises, or who consistently fixed tariffs on the wrong products: the raw materials of manufacturing. A new national tariff in 1816 was too low to keep out many competing foreign manufactures, especially the pernicious trade of British goods. In their zeal to bolster international trade, the national Congress and state legislators persistently raised the

¹⁵Carey, Autobiography, 325-26; Carey, Auto Biographical Sketches, 33-34, 45-46; for figures, see Anne Bezanson, Robert Gray, and Miriam Hussey, Wholesale Prices in Philadelphia 1784-1861, 2 vols. (Philadelphia, Univ of Penna Press, 1936), I:142, 185; for “playful children,” see Carey, “Letters to Bank Directors,” in Essays on Banking, (Philadelphia, 1816), p.67. “The Philadelphia Society for the Promotion of American Manufactures, Circular,” (Philadelphia, 1817), p.3; “Articles of Association of the PSPPE, adopted at Philadelphia, May 13, 1817,” in the Report of the Library Committee of the Penna Soc for the Promotion of Public Economy (Philadelphia, 1817; Niles’ Weekly Register, Apr. 13, 1816; and Lehman, “Explaining Hard Times,” 144, 145.

“cry of ‘mad dog’” against manufacturers. Congress had also been misguided, wrote Carey, to place high duties on Asian imports such as tea, for those goods were brought home in American ships – indeed, Carey suspected that, on balance, American merchants were throwing specie into the “bottomless gulph of the East Indies” in exchange for unnecessary commodities.¹⁶

Congress’s chartering of the Second Bank of the United States in 1816 should have buoyed Carey. Recharter was, after all, one of his central concerns in 1811, and the Bank now had the support of such widely-known figures as Clay, Girard, and Monroe, plus the explicit mission to curb excessive speculation by regulating state and private banks – by regularly presenting the state bank notes it received back to the state banks and collecting specie. But the national legislation overlay lingering money and credit problems caused by local and state banks during the recent war, and soon enough, the national Bank’s mission failed. By the end of the war, the national money supply was dominated by bank notes issued by hundreds of independently-operated state banks, a condition that the second Bank was intended to check. As we have seen, Carey approved of the expansion of credit, and he even cheered the willingness of banks and private lenders to fuel the popular demand for credit in the “golden age” anticipated at the end of the war; even with suspended specie payments, a paper-driven economy put Pennsylvanians “in a most liberal mood. Few men of fair character experienced refusals” of loans. However, it became increasingly apparent during the climate of economic uncertainty during 1816 and 1817 that the notes of local banks circulated at varying rates of discount in relation to specie, depending on the reputation of the issuing bank and the distance from the place of issue where a borrower wished to use bank notes. It was a system that not only caused headaches for travelers and entrepreneurs engaged in

¹⁶Carey, Auto Biographical Sketches, 39-40; Carey, Autobiography, 325-26, 327; Lehman, “Explaining Hard Times,” 358-366; Poulson’s American Daily Advertiser, Dec. 12, 1818.

interregional trade, but also for artisans, shopkeepers, and laborers who participated in the money economy on a daily basis. Public ambivalence about paper credit deepened, and anxieties rose in the commercial community when one after another bank again suspended specie payments starting in late 1815, making it impossible to convert bank notes into gold or silver coin. In Fall, 1815 the Bank of North America in Philadelphia attempted to curtail credit in a bid to restore specie convertibility for its own operations. The result was a short but severe recession in the city that exacerbated the unequal exchange with the West. But then in Spring 1816, Philadelphia bankers reversed their efforts to tighten credit, initiating a new “mania” of extensive lending, which in turn led to a renewed suspension of specie payments – completing, once again, the cycle of unpredictable institutional behavior that had the predictable adverse effects in all quarters of Philadelphia. We might wonder whether the frustrated Carey, who had argued so ardently for a responsible national Bank to protect against the excesses of local banks, contemplated keeping his savings – such as they were – under his pillow.¹⁷

During these uncertain post-war years, Carey also turned his attention to another “pernicious evil” in Philadelphia: public auctions. Before the war, some city writers believed auctions were a flexible vehicle for merchants to dispose of stockpiled or spoiled goods quickly, and an important marketplace for city consumers to find cheap imports. And make no mistake: Philadelphians were enthusiastic auction shoppers for imported textiles, household goods, and food from distant places. But following the war, British merchants eyed Philadelphia markets as a lucrative dumping ground for shipload after shipload of goods that had been sitting in London

¹⁷Murray N. Rothbard, The Panic of 1819: Reactions and Policies (New York, 1962); Lehman, “Explaining Hard Times,” 125-126; Carey, Essays on Banking, 24, 49, 18-22. Carey often looked to Girard for support of liberal bank lending, but Girard’s main biographer argues that Girard decried state banks (not the national Bank) after the War of 1812 “who with their fictitious capital have acted imprudently;” John Bach McMaster, The Life and Times of Stephen Girard (Phila, 1918), II:356.

or Liverpool warehouses during the stagnant war years. Philadelphia's importing merchants in turn eyed auctioneers as stiff competition for sales and accused auctioneers of manipulating customs entries and auction-house prices. Local retailers and small producers joined the auction opposition after the war, especially because auctioneers had become disreputable figures who "cared not a wit" for upholding customary prices and negotiating auction deals according to the ability of the buyer to pay for goods. Unwary or uninformed consumers, wrote critics, were duped by low prices into buying inferior goods that did not sell in England. Booksellers such as Carey were especially wary of competition from the auction vendors; he could agree with merchants that auctions were perfect sites for cheap foreign goods to undersell domestic ones – in his case, books. Critics also linked auctions to the increasing number of non-resident agents taking up residence in the city, men sent by foreign merchants who disregarded the protocols of placing international orders for goods through established correspondence with merchants, and instead bypassed city merchants in order to ease sales distribution of their foreign goods. Like the growing number of securities and bank note brokers in the city, auctioneers looked only at the bottom line.¹⁸

Here was an issue around which many Philadelphians could rally across class and occupational lines. In his writings about auctions, Carey had very little to say about consumers' place at auctions, but he was not alone, for few political economists factored consumers into their perspectives about the "three producing interests" of farmers, merchants, and manufacturers.

¹⁸ For examples of complaints, see, Poulson's American Daily Advertiser, 1815-1817 and Niles' Weekly Register, 1817-1818. For Carey's opposition to auctions, see his "Narrative of the Proceedings," 1813; and Auto Biographical Sketches, 33-34; For auctions generally, see Ray Westerfield, "Early History of American Auctions: A Chapter in Commercial History," *Transactions of the Connecticut Academy of Arts and Sciences* 23 (May 1920), 159-210; and Joanna Cohen, "'The Right to Purchase is as Free as the Right to Sell: Defining Consumers as Citizens in the Auction-House Conflicts of the Early Republic,'" JER, 30 (Spring 2010), 25-65, esp. 36-41. North Americans' ambivalence about auctions was colonial in origins, as were organized boycotts of auctioneers' goods. For auctions during mid-century, see Malcolm Eiselen, The Rise of Pennsylvania Protectionism, (Univ of Penna, 1931,)83-88.

Rather, Carey's primary focus was on importing relations, especially the British who dumped "foreign rubbish" on Americans and thereby ruined fair trading among merchants and entrepreneurs. The remedy would be high taxes on auction houses. But another disappointing blow to Carey's efforts and anti-auction interests came in 1817 when Congress *repealed* the wartime tax of 3% on all auction sales. Through the following months, sheriffs sold distressed and forfeited properties on a daily basis at the auction houses in Philadelphia and increasing numbers of British auction agents advertised cheap goods for sale at the same sites. His failed efforts to win legislation for higher auction taxes convinced Carey about one more "error" of political economy.¹⁹

The Panic

The difficulties Philadelphians endured from late 1815 through early 1818 intensified when foreign markets began to wobble during mid-1818. European harvests were bountiful again, which reduced foreign demand for mid-Atlantic grain; by September, prices of American grain were falling fast in Europe. Wheat exported from Philadelphia fell from about \$2.50 a bushel in late 1818 to under \$1 in July 1819, and continued to fall. In addition, British merchants were starting to trade with India for cotton, and British manufacturers dumped more unsolicited and cheaply-made goods than ever on east-coast docks, demonstrating once again, said Carey, the debilitating dependence of Americans on foreign demand. Although in the long run, British traders would return to America for high quality cotton, in the short run northern shippers and southern planters grew alarmed about a precipitous fall in cotton export prices of some 50% in

¹⁹E.g., Carey, "The Olive Branch . . . 2nd Edition, 1821," in Essays on Political Economy, 267; Cathy Matson and Peter Onuf, "Toward a Republican Empire: Interest and Ideology in Revolutionary America," American Quarterly, 37 (Autumn 1985), 516-30. Not all merchants favored taxes on auction sales; as a matter of principle, many of them believed trade should be free of government restraints; some confessed that in the future they, too, might want to buy bulk quantities of wine or textiles at auction in order to satisfy their regular customers' demands

early 1819. Then, too, political unrest in South America interfered with American acquisition of specie from Mexico. By mid-year, the Panic was ripping through Philadelphia, soon to become a depression that lasted until 1823 in some mid-Atlantic communities. “Merchants who have stood forty years, as well as thousands who have made a forty days’ trade of it, are tumbling like rows of bricks.” And still, wrote Carey and Niles, Americans clung to their “day dreams” of relying upon foreign commerce to provide national prosperity, harboring a “fatal delusion.”²⁰

By the winter months of 1819-1820, the Panic deepened into depression and Philadelphians were still waiting for remedies. State banks were doing nothing to ease the pressure of failures and collapsed credit; brokers were charging exorbitant interest rates for short-term private loans – a last resort of many city residents who struggled to save a business or pay rent. Debtors who were in dire straits had two choices: either assign property up to the value of a debt to creditors, or agree to enter debtors’ prison if creditors refused to settle. In 1819 there were 3,516 actions for debt filed in Philadelphia, over 150% more than in 1816, and over eighteen hundred men and women were imprisoned for debts incurred in the city during 1819. The price of land, which had surged to \$150 an acre in the buoyant first months of 1815, fell to about \$35 an acre in 1819 -- and few were buying. For the homeless, private relief groups set up soup kitchens and designated sleeping areas. Hundreds of Philadelphia businesses failed, thousands of Philadelphians became homeless and/or unemployed; Carey estimated that some three million people, about a third of the country’s population, suffered directly during 1819-1820, in “a universal suspension of industry and

²⁰See Samuel Rezneck, “The Depression of 1819-1822, A Social History,” *American Historical Review*, 39 (Oct. 1933), 28-47; and Murray N. Rothbard, *The Panic of 1819: Reactions and Policies* (New York, 1962), and Daniel S. Dupre, “The Panic of 1819 and the Political Economy of Sectionalism,” in Cathy Matson, ed., *The Economy of Early America: Historical Perspectives and New Directions* (University Park, PA, 2006). for the panic generally; Bezanson, et al., *Wholesale Prices*, II:67 and Lehman, “Explaining Hard Times,” pp. 6-9, for prices of exports; Carey, *Autobiography*, 322, 323-4, on cotton and grain; and for quotes, *Niles’ Weekly Register*, Feb. 24, 1821, and Carey, *New Olive Branch*, p.319, 321, 431

enterprize, a paralysis of all the active energies of our country.” “Last year” in 1820, Carey wrote, “we talked of the difficulties of paying for our lands; this year the question is, how to exist.”²¹

As the “calamitous conditions” of rising sheriff’s sales and declarations of insolvency inundated the city in early 1819, Carey took the measure of the region’s economic dislocation and immersed himself in a study of reigning political economic thought, with the admission that he “had never devoted three days to the study of political economy” before this. He spent several weeks studying, among others, the French Physiocrats, Thomas Malthus, and Jean Charles de Sismondi, and especially Adam Smith. In his series of “Addresses,” written hurriedly over four months starting in March, 1819, Carey embedded his critique of commercial dependence in the conviction that too many merchants “were at once converted into disciples of Adam Smith” whose advocacy of open trade encouraged over-importation, over-speculation, dumping cheap goods at American auction houses, and draining specie out of North America to pay for “worthless fabrics” and luxuries. As Carey understood The Wealth of Nations, Smith was also wrong about America’s role in the trade among nations; Smith opposed protectionist measures because he believed that if a foreign country could supply a nation with a commodity cheaper

²¹Carey, Essays on Political Economy, “Preface,” p. x, for “never devoted;” William Sullivan, The Industrial Worker in Pennsylvania, 1800-1840 (Harrisburg, PA, 1955), 51, on soup kitchens; Priscilla F. Clement, “The Philadelphia Welfare Crisis of the 1820s,” PMHB, 105 (1981), 150-153, on foreclosures, health crises, and fuel shortages; The Aurora, Apr. 7, May 19, June 19, 1819, and Peter J. Coleman, Debtors and Creditors in America: Insolvency, Imprisonment for Debt, and Bankruptcy, 1607-1900 (Madison, WI, 1974), for insolvency and debts; and for an excellent discussion of bankruptcies among printers and booksellers in the early century, including Carey’s difficulties, see Rosalind Remer, Printers and men of Capital: Philadelphia Book Publishers in the New Republic (Philadelphia, 1996), 115-124. For the final quotes, see Niles’ Weekly Register, June 5, 1819, p.253; and Carey, “Address to the Farmers of the United States,” first published February 11, 1821, repr. in Essays on Political Economy, p.409-463, quote at p.419. In 1814, a new insolvency law permitted debtors to gain release from jail once they filed a petition for insolvency; the petition guaranteed that the debtor would remain available for settlement of debts and would not conceal assets from creditors. In early 1819, another state law abolished imprisonment of women for debts incurred after February of that year; see “Report of the Committee appointed on the subject of the present distressed and embarrassed state of the Commonwealth,” in Samuel Hazard, ed., Register of Pennsylvania, IV (1827), 136. For other personal insolvency and bankruptcy in publishing and bookselling during the post-War years, see Edward Cahill, “The Other Panic of 1819: Irving’s Sketch Book, Literary Overproduction, and the Politics of the ‘Purely Literary,’” Common-Place, 9 (April 2009).

than its native producers could make it, then the foreign country should have the freedom to sell. The advantage, Smith argued, would be that all the capital saved by buying cheaper imports could be invested in new manufactures. Carey fumed against this kind of argument, “for the wealth of a country [its specie] may be swept away” just as easily, to enrich foreign nations that already had a manufacturing advantage. Adam Smith’s teachings, insisted Carey, were “the main source whence the prevailing distress of the nation has flowed.” Imbalances between nations that grew prosperous from manufactures would increase their edge, while nations in need of encouragement to begin their “manufacturing ascent” would never catch up.²²

Philadelphians were misguided, wrote Carey, by an ill-conceived theory about economic freedom, fickle banking policies, disregard for manufactures, and destructive auction house behavior, and they now faced a Panic that forced their homes into foreclosure, their neighbors into unemployment and soup kitchens, and many of their debtors into prison. Philadelphians had certainly known hard times since the Revolution, and the difficult years 1815 to 1818 had provided plenty of evidence about the economic fragility of the city and its surrounding region. But the Panic revealed that “there is now no diversity of sentiment on the subject [of prosperity or decline]” – everyone could agree about the “horrid realities” of “the idleness of thousands of those who have no property but in the labour of their hands . . . which fully evinces a radical unsoundness in our policy . . . No temporizing expedients will suffice” during this deep Panic. While followers of Smith and other Scottish Enlightenment figures argued that economic

²²Carey, *Autobiography*, 320-31; Carey, “Addresses of the Philadelphia Society for the Promotion of National Industry,” (1819), Introduction, in *Essays on Political Economy*, p.x, 12; see also, Address No. 1, *ibid.*, 10, 18-26, esp. 18; Address No. 2, *ibid.*, 36-38; Address No. 5, *ibid.*, 67; and “The New Olive Branch,” (1820), *ibid.*, 252-382 at 362-4. Final quotes in this paragraph are at “Three Letters,” x-xi. Carey continued a flurry of writing and produced some 40 pamphlets and appeals about economic and social conditions through the 1820s; see James Green, “Mathew Carey,” 29. Please note that I am not engaging with what Adam Smith actually wrote, but what Carey published as Smith’s perspective.

dislocations such as the Panic should be allowed to run their “natural course” until economic conditions were “rebalanced,” Carey was adamant that the social and economic costs of waiting for the crisis to correct itself were simply too high to ignore. Distressed citizens looked to the government for relief, and the government was itself facing a crisis of public indebtedness: “the resources of both [are] exhausted; both [are] marching to poverty . . . in the same road, on the same principles; their expenses exceeding their receipts.” Fans of Adams Smith, Carey insisted, were wrong about positing “never-failing activity and love of accumulation; they count not on the disposition [of most people] to indolence, the contentment with little; . . . the love of pleasure; the passion for honour overcoming that for wealth: all which may arrest the advance of public opulence in its free course.” Trust in a “natural economy” and “free commerce” would not create new jobs, especially in the “deranged” conditions of 1819; the Smithian approach which proposed that Pennsylvania workers thrown out of one kind of work would soon enough find employment in some “collateral branch” of manufacturing seemed, to Carey, to be “absurd, futile, and untenable.” It took years of training to learn an employable skill, he pointed out; tradesmen were not simply interchangeable parts, and it was cruel to expect that a tradesman could make himself employable in another craft without extensive new training. Even then, speculated Carey, hard work and good reputation could not ensure financial security in such “evil times;” nor could shortcomings of judgment and character explain the extent of the crisis. The regulating hand of local and state governments was the only means to prevent rising insolvencies and permanent deep inequalities.²³

²³ Carey, “Address to the Farmers of the United States,” repr. in Essays on Political Economy, p.421; “Addresses of the Philadelphia Society for the Promotion of National Industry, No. 1,” (March, 1819), in Essays on Political Economy, 15, 18; and Auto Biographical Sketches, 47, 54-67, 70. Carey added a note of scorn for President Monroe’s dismissive apathy about the Panic to his list of “public evils” in his “New Olive Branch,” (dedication and introduction written 1820, printed 1821) repr. in Essays on Political Economy, p.309.

By mid-1819, Carey had armed himself with a deeper understanding of “erroneous” political economic thinking, but he proposed no new policy or institutional remedies that were not already in his ideological arsenal. Indeed, Carey reiterated his core economic ideas with remarkable consistency during the Panic and depression: Americans had to break their dependency on foreign commercial markets; government needed to energize small producers and entrepreneurs with proactive policies for a stronger national economy; banks ought to continue providing liberal credit; and everyone needed to adopt a “universal attachment” to interregional connectedness or a “harmony of interests.” What was new in Carey’s writing, however, was a deeper sense of urgency and a more panoramic social perspective. The Panic had pulled off “the veil that obscured the appalling vision of public distress.” “Wars and famines in Europe,” wrote Carey that year, “are [still] the keystone on which we erect the edifice of our good fortune.” There was entirely too much dependence on the fickle fortunes of international commerce, especially when trading nations were constantly at war. Further, state and national governments had ignored for too long their responsibility to promote enterprise because they believed in “the utter fallacy of some maxims supported by the authority of the name of Adam Smith.”²⁴

In addition to these familiar, but more urgently voiced appeals, which appeared in a steady flow of pamphlets and addresses during the Panic and depression, Carey banded together once again with other leading nationalists to organize the Philadelphia Society for the Promotion of National Industry in mid-1819, and then a larger group of publicists and reformers called the

²⁴ Carey, “Addresses of the Philadelphia Society for the Promotion of National Industry, No. 2,” (March, 1819) in Essays on Political Economy, 37; and Auto Biographical Sketches, 48-49, 28. For “collateral branches,” Carey, Autobiography, 402. For more along these lines, see Carey, “Addresses of the Philadelphia Society for the Promotion of National Industry, No. 7,” in Essays on Political Economy, 81. Carey admired the writing of political economists Condé Raguét, Samuel Jackson, and Daniel Raymond, who proposed solutions along similar lines; on Raymond, see Auto Biographical Sketches, 93-96. When Carey’s Essays on Political Economy appeared in 1822, the collection prompted a number of angry Southern replies; e.g., John Taylor’s Tyranny Unmasked (Washington, DC, 1822). New Orleans merchants trading to Philadelphia registered strong anti-tariff sentiments as well.

Pennsylvania Society for the Promotion of Domestic Industry in late 1819.²⁵ Through the latter, Carey spearheaded a fact-finding committee to survey the Panic's effects on industry and unemployment – the only major one conducted during the Panic. Society members studied thirty industries in Philadelphia and found employment in them had declined from 9672 in 1816 to 2137 in 1819; the committee estimated that nearly 12,000 city residents were out of work. From more anecdotal information the committee learned that wages paid weekly to city laborers and tradesmen declined some 80%, when work was to be found. Book printing had lost about a third of its jobs, falling from 241 to 170 people employed in the trade. With numbers like these, which were confirmed by the Pennsylvania Senate, Carey lamented that city soup kitchens would never ease the hunger of so many marginalized people.²⁶

For Carey, the hard facts of the Society's survey became additional fuel for the fire he tried to light under policy makers in 1819-1820. The national government was doing too little to relieve the pain of thousands, and Monroe's national administration seemed oblivious to the disastrous retrenchment in banking and precipitous decline of commodities prices; too many even in

²⁵Carey, *Essays on Political Economy*, 141, 198ff, 230, 318, 416; *Auto Biographical Sketches*, 46-47; Rezneck, "The Depression," 34. Carey sought financial support from the Philadelphia Society for publishing his "Addresses" in 1819, but that did not materialize. In the second organization, the Pennsylvania Society, could be found important nationalists such as Dr. Samuel Jackson; Peter S. DuPonceau; Alexander McClurg of Allegheny County; Richard Povall of Philadelphia; Charles Shoemaker from Berks County; and at times, William Duane. Findlay was on the Society's fringe, and Condy Raguet came around to supporting protectionism during the Panic, probably in 1820.

²⁶ "Report of the Committee appointed to collect information relative to the state of manufactures in 1814, 1816, and 1819," *Aurora*, September 8, 1819; see also *Aurora*, October 4, 1819; and *Niles' Weekly Register*, Aug 7, Sept. 4, Oct. 23, 1819. For a fuller discussion of this committee, see Lehman, "Explaining Hard Times," 5-6, 282-5. Carey reprinted the report of October 2, 1819 as "American Manufactures," in *Essays on Political Economy*, 221-229; and he incorporated the findings in his expanded "New Olive Branch," in *ibid.*, 252-382. Carey also composed a circular letter summarizing the data collected by the committee, and printed 4,000 copies to distribute as widely as possible through the country; see "Circular Letter from the Committee Appointed at a meeting of the citizens of Philadelphia, held October 2, 1819," in Carey, *Essays on Political Economy*, 229-230. Pennsylvania's Senate conducted its own investigation during the following months, and they found that Carey's printed figures were accurate. In addition, Carey and his close associates used the Pennsylvania Society to initiate a national convention of manufacturers set for 1820.

Congress relied on the “fallacious wisdom of that mistaken philosopher Mr. Smith.” As nationalist Congressman John Serjeant (from Philadelphia) pointed out, by refraining from using the national Bank as a solid regulatory agency and failing to raise protective tariffs to high enough levels, elected national leaders had played into the speculative “mania” that gripped Americans. “Everything about us invites to speculation,” said Serjeant. But for wide swathes of the public, the causes of the Panic had no deep ideological roots and no international causes – they were at once simpler to explain and more sinister to behold: irresponsible state and national banks had set them on a “path of misery” since early in the century. The critique of banks crescendoed during 1818 when some \$4.5 million in bonds for the Louisiana Purchase were coming due for redemption from the national Bank and U.S. Treasury; when foreign market prices for commodities began to plummet, British banks terminated specie payments to America, and the national Bank was forced to call in loans from state banks and private borrowers in order to raise money for the Louisiana Purchase payments. The smaller banks in turn put pressure on myriad local borrowers for immediate payment, and as prices fell further, paper money lost value, quarrels over interpersonal indebtedness gave rise to a flood of legal actions, and state banks suspended specie payments once again. As public confidence in small banks nose-dived, depositors withdrew funds and banks closed their doors for business when there was no more specie to pay public demands. In early 1819 – at about the same time as a British bank crash -- the new Bank president, Langdon Cheeves, contracted the national Bank’s loans even further and continued to build its specie reserves by draining the state banks. Is there any wonder that a populist demand for returning to specie payments became ever louder during the Panic?²⁷

²⁷First quotes in Reznick, “The Depression,” 36-37; for the investigation, 29. For the Cheves fiasco, see Carey, “Circular Letter from the Committee Appointed at a meeting of the Citizens of Philadelphia, Held October 2, 1819,” published in Philadelphia newspapers October 2, 1819, reprinted in Essays on Political Economy, 229-237, at 231;

With patience and consistency, Carey replied to the dispute over banking identity and policy with his much-rehearsed argument: that the real problem was not the national Bank in principle, or the efficacy of liberal lending by state banks, but rather Americans' addiction to speculating with bank notes. "The recent arrangement of the banks, whereby they pay interest on the balances due each other . . . is highly pernicious. . . . The pressure of one bank upon the community, induces the pressure on all others." Perhaps Carey's steadfast position about banking, despite the public crisis of confidence, was more than theoretical in 1819-1820, for he had more first-hand experience of the humiliating hardships imposed by mismanaged lending that year. Otherwise trustworthy borrowers and lenders went insolvent – or went to debtors' prison – all around him that year. Personal friend J. M. Conner wrote desperately from debtors' prison to beg for \$35 to secure his release and return his "honor and integrity." In another instance, Philadelphian John Babrach apologetically asked Carey for a small loan in early 1820: "I stand guilty of ten thousand sins . . . however the crime of selfishness will never be fairly laid to my charge" The indignities of these personal traumas were not new to Carey – he was himself in dire financial straits more frequently than he cared to remember – but during the Panic the

Edwin Perkins, "Landon Cheeves and the Panic of 1819: A Reassessment," *Journal of Economic History*, 44 (June 1983), 455-61; and Lehman, "Explaining Hard Times," 205-11. Among the Bank's vocal critics was William Duane and a number of state legislators who passed a law in 1820 requiring the banks chartered in 1814 to return to specie payments or forfeit their charters. Findlay, echoing wisdom from Adam Smith that Carey so emphatically rejected, simply refused to enforce the legislative measure and expressed that it was "most prudent to permit the fluctuating paper of our different banks to find its level through natural rather than artificial channels." While Carey favored keeping the chartered banks, he was almost certainly not in agreement with Findlay's reasoning about how to achieve that. The involvement of Girard and John Jacob Astor in the national Bank events of 1819 is more complicated than space permits in this paper; see Girard correspondence for January 1817 to November 1818, e.g., in Girard Papers, APS, and the running debate covered in William Duane's *Aurora*. For general conditions, see Rezneck, "The Depression of 1819-1822," Rothbard, *The Panic of 1819*, chap. 1; Charles Sellers, *The Market Revolution: Jacksonian America, 1815-1846* (Oxford Univ Press, New York: 1994), who follows Rezneck and Rothbard; and the classic Bank narrative of Bray Hammond, *Banks and Politics in America: From the Revolution to the Civil War* (Princeton, 1957), esp. 230-62. Further evidence of the second Bank fiasco in Philadelphia can be followed in writings of, e.g., Stephen Girard, Manuel Eyre, Samuel Wetherill, Jr., Blair McClenachan, Tench Coxe, Alexander Dallas.

instances of personal penury and the humiliations of hounding brokers, insensitive creditors, and court appearances were “too numerous to recount.”²⁸

As Philadelphians struggled through deepening “hard times” during 1820, the tenacious Mathew Carey forged ahead with many new publications and a few important organizational efforts to change the course of economic policy. One collective effort stands out more than others. Nationalists called a Convention of the Friends of Domestic Industry in New York in early 1820, a gathering of delegates from nine states (Pennsylvania sent seven delegates). Carey was secretary of the meeting and later composed the primary memorial from the Convention to Congress, a document that carefully refrained from criticizing merchants (whose interests were still strongly served in Congress) but lambasted the presence of British agents at American auction houses and the persistent flood of foreign goods into American port cities (Carey now included Chinese imports and East India cottons among the goods that merchants of different nations competed to sell in America). Carey also meticulously outlined the continuing crisis of low agricultural export prices, and strongly blamed Congress for the failure to raise tariffs significantly in the new legislation of 1816.²⁹

²⁸ For Carey’s response to the Bank fiasco, see “The New Olive Branch,” (1820) reprinted in Essays on Political Economy, 252-382 at 323-325, xix-xx; and “The Farmer’s and Planter’s Friend,” (1821) in *ibid.*, 465-510 at 470-74; J. M. Conner to Carey, June 21, 1819, and Babrach to Carey, Feb. 6, 1820, Mathew Carey Papers, Edward Carey Gardiner Collection, Box 88, HSP. Carey’s observations in 1819-20 echoed his earlier critique of the momentous crash of the Farmer’s Exchange Bank of Gloucester in 1809: “Stock note banking,” whereby banks bought and sold stock to each other, creating paper working capitals in inland banks that fueled speculation by coastal banks, had brought down this bank in a spectacular failure; see Carey, “Letters to Dr. Adam Seybert,” (Philadelphia, 2nd ed., 1811), 67-77.

²⁹ On the Convention and its memorial, Niles’ Weekly Register, Dec. 11, 1819; Carey, An Address to Congress: Being a View of the Ruinous Consequences of a Dependence on Foreign Markets, (Philadelphia, 1820), repr. in Essays on Political Economy, 383-408; Carey, Autobiography, p.325-27; Carey, “Address of the Philadelphia Society for the Promotion of National Industry,” 1819, in Essays on Political Economy, 18-26, 36-38, 67; the Philadelphia Union, Feb-May, 1820; Rezneck, “The Depression,” 41-42; and Rothbard, The Panic of 1819, 152.

The Convention memorialists enlisted the support of Congressman Henry Baldwin, a representative from Pittsburgh who headed up the new Committee of Manufacturing, and who was a friend of the protectionists in Philadelphia. Baldwin, plumped up with letters and pamphlets from leading nationalists – including some of Carey’s -- did his best to get support for drafted legislation that would raise auction taxes to a high 10%, and he brought proposals to Congress for higher protective tariffs repeatedly during 1820 and 1821. But Congressional opponents – especially, Carey insisted, southern representatives -- dug in their heels and defeated the Baldwin committee’s proposals as well as those brought directly to Congress.³⁰

Back in Philadelphia, Carey returned to a widely circulated earlier publication and added revisions that updated the nationalists’ most recent efforts to put their goals into legislation. The result appeared as The New Olive Branch in 1820, published at significant private expense to himself. Many of Carey’s “friends of protection” were less interesting in stumping for the same issues that had been defeated for many years, and instead they turned felt their attention away from tariffs. The commercial and urban social crises were deepening, they lamented, and the impact of their arguments for protection and auction taxes would “go still unheard” until “better times” returned. In the meantime, some turned to other issues. One of these involved promoting internal excise taxes – an issue which had been the bane of frontier settlers for years, including whiskey producers and large numbers of inland people who used transporting and milling services – and an issue that Carey chose not to champion. Another issue of rising significance involved the disposition of western lands, the sales of which many Congressional representatives and come to believe was “a better object” for raising revenues than import tariffs. The 1820 national land law,

³⁰On Baldwin, Daniel S. Dupre, “The Panic of 1819 and the Political Economy of Sectionalism,” in Cathy Matson, ed., The Economy of Early America (Pennsylvania State Press, 2006), 275-78. On Congressional events, see extensive coverage in Niles’ Weekly Register, Apr. 1820 through March 1822. For blaming southerners, see Carey, Autobiography, 485.

enacted during the depths of the Panic, reduced the price of land from \$2 to \$1 an acre, but required a minimum purchase of 80 acres and payment in cash – an amount, Carey reminded his friends, was beyond the means of typical families wishing to start over in a new location. Yet Carey did spend some time thinking about the West as a part of his vision for a national “harmony of interests,” especially in light of the Missouri Crisis during 1819, the new land policy of 1820, and the defeat of nationalists’ goals in Congress. At the level of interregional cooperation, and certainly at the level of reconciling regional frictions over state formation and slavery, Carey paid closer attention to the West from that time forward.

Carey also became more attentive in 1820 to wider social issues such as debtor relief, which he suggests was in part an outgrowth of discussions among the Friends of Domestic Industry. Yet here, again, Carey was disappointed. Congress was singularly uninterested in providing new bankruptcy legislation, stay laws, curtailments on creditors’ rights over debtors, and other measures to relieve the distress of poor and middling Americans during the Panic; and in Carey’s home state of Pennsylvania, legislators also rejected most relief measures such as stoppage and stay laws, loan offices, abolition of imprisonment for debt, and more extensive insolvency laws. By the end of 1820, Carey felt that his writings and organizational efforts that year were singular failures; instead of inspiring social legislation during dire times, he wrote that “I might as well have sought to raise the dead.” By 1823 only 22 of the 41 banks chartered in 1814 had survived the turmoil of the depression, a winnowing that many contemporaries (and quite a few historians) believed to be the consequence of overly-expansive lending and inadequate reserves of specie. Carey, however, clung to his earlier minority point view, that liberal lending from a number of state banks was essential for building the national self-sufficiency upon which America’s economic future must depend. In the next years, Carey also pronounced the higher

national tariffs of 1824 and 1826 to be “defeats” of the protectionists’ goals; rather than support small increases in tariffs, Carey pronounced the new legislation to be too little to make a difference and directed at the wrong commodities once again.³¹

Only after the mid-1820s, in a period recovery from the depression, did Carey glimpse the possibility that his economic thinking and his proposed economic policies might finally “turn to the good.” Episodically, his writings during the 1820s reveal moments of satisfaction that his political economy was at last taking shallow root. He had forged a close collaboration with Henry Clay to make the American System a success during the mid-1820s. Carey also championed the Chesapeake & Delaware Canal (and other public projects) during the later 1820s as practical and consequential applications of entrepreneurial and banking resources on behalf of a large “public welfare” that was coming more into focus in Carey’s writings. And the far steeper tariff increases of 1828 finally (!) promised, wrote Carey, to help budding manufactures flourish. The many celebrations honoring Carey during the year attested to somewhat more widespread support for stronger government intervention in the economy and Carey’s nationalism – although the 1828 tariff also deepened sectional tensions and threatened to undermine steps being taken toward the “harmony of interests” that Carey highly prized, and the intense public scrutiny of bankers and banks erupted in the second national Bank crises at the end of the decade.³²

Carey’s political economy was remarkably consistent over many decades; his earliest appeals for protectionism, energetic entrepreneurship, and sound but liberal banking – all to be

³¹On the excises and western land policy, see Carey, Auto Biographical Sketches, 87-88. For “raise the dead,” Auto Biographical Sketches, 87-88, 93. For the banks, see Belden Daniels, Pennsylvania, Birthplace of Banking in America (Harrisburg, PA, 1976), 148-153; “Brutus” essays in the Aurora, 1822-1823; and Shankman, Crucible of American Democracy, 202. For a different view, see Robert Blackson, “Pennsylvania Banks and the Panic of 1819: A Reinterpretation,” JER, 9 (Autumn, 1989), 335-358.]

³² On post-1821 projects, see Carey, Auto Biographical Sketches, 127-128; and Rowe, Mathew Carey, p.87-89, 119-120.

achieved with the active involvement of state and national governments – remained prominent in his writings. These bedrock issues became the basis for his affiliations with other nationalists, the main subject matter of his writings on political economy, and the constant source of frustration when stronger interests defeated them. Carey’s fundamental political economy grew more sophisticated during the very trying times after the War of 1812 -- through his intensive study of opposing economic *theories*; through incorporation of *issues* that were complementary with his basic political economy and of importance to a widening number of Americans (arguments for higher auction house taxes, clearer articulation of a “harmony of interests,” etc.); and through active leadership in organizations that pragmatically collected *information* about economic conditions and aggressively disseminated printed materials about concrete *policy* remedies. The depth of Carey’s involvement in shaping early American political economy should not be underestimated – the sheer quantity of his publications and endurance record he achieved in the cauldron of political battles is astounding.

But Carey also had blind spots. One was his limited understanding about how Americans would realistically raise investment *capital* in the early republic. He consistently held that tariffs – revenues taken from commerce – would provide the most significant inducement and indirect financial resource for infant enterprises, when in fact, the capital needs of development would come only partially from government funding; manufacturing would be at least equally reliant on merchants’ investment of profits and the collective savings of petty entrepreneurial Philadelphians. Until there were sufficient real profits and savings to invest – as well as ideological readiness -- the expansion of banks notes and easy loans would help to some extent,

but in periods of overexpansion, the “empires of paper” they also left the economy vulnerable to wars, foreign markets, and panics.³³

A second blind spot involved the tremendous alterations in *labor* that were taking place in the early republic as capitalist manufacturing got a toehold in Philadelphia (and elsewhere). To create manufactures, Carey rightly rejected Hamilton’s notions about employing “excess” women and children, and encouraging immigration of thousands of unskilled poor Europeans; but Carey was himself misguided in hanging onto a vision of an independent householder republic that sustained intensive training in apprenticeships and built small and paternalistic working environments. Already in the 1820s, Philadelphians were moving beyond Carey’s perspective; skill remained important in many trades, but plenty of new manufactures used new forms of work discipline and wage labor of the kind we associate with an emergent factory system. As Carey advanced into old age, many Philadelphians were speaking about the nature of a working class and its place in the emergent manufactures that were finally “taking off” in the city; but few voices in the city’s newspapers and circulating pamphlets described the new class arrangements in terms of the “harmony of interests” that Carey and other nationalists envisioned.

³³ For this paragraph, and the next one, I am generalizing from Carey’s writings cited above, and Carey’s “Essays on the Public Charities of Philadelphia,” 1828; “The Wages of Female Labour,” 1829; Address to the Wealthy of the Land, 1831; and “Case of the Seamstresses,” 1833. On capital, capitalists, wages, and the urban working class, see, e.g., Scott Sandage, Born Losers: A History of Failure in America (Cambridge, MA, 2005), chaps.1, 3; Jonathan Glickstein, American Exceptionalism, American Anxiety: Wages, Competition, and Degraded Labor in the Antebellum U. S. (Charlottesville, 2002); Peskin, Manufacturing Revolution, chap. 10; Ronald Schultz, The Republic of Labor: Philadelphia Artisans and the Politics of Class, 1720-1830 (New York, 1993); Jeanne Boydston, Home and Work: Housework, Wages, and the Ideology of Labor in the Early Republic (New York, 1990); and Bruce Laurie, Working People of Philadelphia, 1800-1850 (Philadelphia, 1980).