Lessons from the Past: The Panic of 1893

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Introduction

The historian, political commentator and essayist Henry Adams (1838-1918), one of the keenest observers of the American scene in the second half of the nineteenth century, writes in his third-person autobiography, *The Education of Henry Adams* (1918), that upon his arrival in Lucerne, Switzerland, on July 22nd, 1893, he “found letters from his brothers requesting his immediate return to Boston because the community was bankrupt and he was probably a beggar.” (321) Notwithstanding the exaggeration — after all, he belonged to one of the most prestigious political clans from Massachusetts, whose members over time had married into the wealthiest New England families — the fact is that Henry Adams heeded the call of his brothers, Charles and Brooks, sailed back to the U.S. immediately, and arrived in Quincy, Massachusetts, the family’s ancestral home, on August 7th. The reason for the urgent request of his return was none other than the worsening economic conditions in the country, stemming from what became known as the Panic of 1893, and its impact on the investments of the Adamses.

Adams’s non-fictional works are particularly illuminating in the context of the *postbellum* industrialization of the United States and of the development of financial capitalism in the latter part of the nineteenth century. With ready access to the corridors of power in Washington, Adams’s observations in his autobiography, letters and essays on the

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1 An abridged version of this paper was first delivered at the 33rd meeting of the Portuguese Association for Anglo-American Studies (APEAA), “Authority versus Alterity: The Return of Hegemony?”, held at the Catholic University of Portugal, 20-22 September 2012.
hegemonic impact of financial capitalism on the lives of individuals and
nations provide us with plenty of food for thought these days. I wish to
examine in this paper one of the most serious financial crisis to have
affected the United States of America, the Panic of 1893, through the eyes
of this most insightful, and often neglected, American author, so as to assess
the extent to which financial crises may, or may not, impact upon
individual and collective identities. Adams evidences misgivings in his
works about the nature of financial capitalism as he criticizes the drive for
economic supremacy and territorial expansion pursued by the U.S. at the
time. Consequently, his personal narrative on the nature of financial
capitalism may allow us to draw some important lessons to understand our
current financial and political woes.

The Adamses were well-off but frugal landowners, of Puritan stock,
imbued with a strong sense of dedication to public service. Adams’s father,
Charles Francis Adams, had married rich, into the family of Peter Chardon
Brooks of Boston, and Adams himself into that of a prominent Boston
physician, Dr. Robert William Hooper. Grandfather Brooks, as Adams
refers to him in Education, had made his fortune as a merchant and
subsequently in real estate and mortgage loans. When he died on Jan. 1st,
1849 he left the largest estate in Boston, approximately two million dollars,
to be shared among his seven surviving children. Adams often likes to refer
in his autobiography to a “feud” between Quincy and State Street, to an
inherent conflict between the frugal, disinterested values of the Adamses
from Quincy, in contrast with the capitalistic, business-minded Brookses
from Boston.

Ever since his wife’s suicide in 1885, Adams had been spending a
large part of his life travelling, to Japan and the South Seas in 1890 (Samoa,
Tahiti, Fiji Is.), Australia, Ceylon and France in 1891. With his magnum
opus, History of the United States under the Administrations of Thomas
Jefferson and James Madison (1889-1891), now in print, the year 1893
was to be no different for Adams: in May he visited the Chicago World Fair
with Senator James Donald Cameron (1833-1918) and his family,2 in early
June he sailed for England, and from there, in mid-July, he travelled to

2 The Camerons were an influential family from Pennsylvania which Henry likes to
contrast with the Adamses from Massachusetts for their different political stance and
Prangins, Chamonix and Zermatt, Switzerland. It was after crossing the Furka Pass, and upon his arrival in Lucerne, that he received the ill-omened letter from his brothers summoning him to Quincy to deal with the family's apparent dire financial affairs.  

Adams had had no major financial worries in his life up until 1893. His investments, which he derived from his inheritance, had provided him with sufficient income to live off comfortably and not to have to worry about gainful employment. In the period under consideration, it is estimated that Adams's annual income was between $25,000 and $30,000 dollars, at a time when the level of taxation was negligible. He had served as his father's secretary in Washington and in London, while the latter had held the post of congressman and ambassador, respectively, but that had been unpaid service. The only time Adams had actually had a regular income was the period in which he taught history at Harvard (from 1870 to 1877), his annual salary being at that time, $2,000 dollars per year, less $300 / $400 for the rent on his rooms. Now at 55 years of age, though, he had to face the prospect of being poor.

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3 Adams's famous ancestors were: Samuel Adams, one of the heroes of America's independence; John Adams, second president of the U.S. and the American minister to England who had helped to negotiate the Treaty of Paris, putting an end to the Revolutionary War; John Quincy Adams, sixth president of the U.S., minister to Russia, Secretary of State to James Monroe, known to posterity as "Old Man Eloquent" for his fierce anti-slavery stance in Congress; Charles Francis Adams, his father, founding member of the Free-Soil party, congressman from Massachusetts, minister to England during the Civil War.

4 Adams still feared for his investments. He tells us in his autobiography that he was at a loss as to why he was on the verge of bankruptcy after he went to the bank to withdraw money and the cashier only let him have half of what he wanted ($50 dollars). Like many Americans he, too, owed money to the banks, and now that money...
Part One: The Panic of 1893

Between 1850 and 1914, the United States established networks of trade, investment and the production of goods with other industrialized economies of the time, among which stood those of the United Kingdom, France, and Germany, which paved the way for the globalized forms of capitalism we see today. These developments were particularly noticeable throughout Henry Adams’s lifetime. The Panic of 1893 was yet another cycle in the boom-bust type of crisis to which the American economy had been regularly subjected since its founding, all of which involved some form of speculation either in land, stocks, or the currency, resulting in widespread recession and bank failures across the country. Examples of these unsustainable booms in which some assets had become the object of a speculative bubble or mania were the Panic of 1819 (caused by ever growing issues of bank notes), the Panic of 1837 (due to land speculation and forced specie payments in gold or silver), the Panic of 1871 (provoked by a bubble in railway shares and a fall in the price of silver), the Panic of 1893, the subject of our paper (resulting from a bubble in railway stocks and a run on gold), not to mention the Great Wall Street Crash of 1929, the worst in modern history (caused by a bubble in stocks and bonds). And more recently, of course, the 2008 banking crisis, with which we are all familiar, provoked by the use of so-called sub-prime interest rates in the real estate sector.6

had to be paid back. On the other hand, the situation was ironical, as he had for the first time “the banks in his power”. Ibidem, p. 322.

5 For the purposes of the present work, I have relied on the framework adopted by a number scholars to describe and explain the historical patterns of globalization, namely, David Held, Anthony G. McGrew, David Goldblatt, and Jonathan Perraton, Global Transformations – Politics, Economics and Culture, Cambridge: Polity Press, 1999. In their study of the above-mentioned patterns, these authors identify four major epochs: a) a pre-modern period (9,000-11,000-1500); b) an early modern period (c. 1500-1850); c) a modern industrial era (c.1850-1945); d) a contemporary period (c.1945 to the present). For a detailed discussion of each of these periods, see p. 26 ff.

6 Two earlier major financial crises in the world were the Tulip Bubble (1636-1670) and the South Sea Bubble (1720). In the case of the U.S. the Panic of 1819 was caused by the expansion of bank notes issues and the suspension of specie payments which had
The collapse of the London Banking House of Barings in 1891 signaled the beginning of financial difficulties in the world’s most developed economies, setting off a recession throughout the world. Adams, who was in the South Seas at the time, observes in *Education* that the repercussions of the collapse of this important international financial institution were felt there:

Even the year before, in 1891, far off in the Pacific, one had met everywhere in the east a sort of stagnation — a creeping paralysis — complaints of shipping and producers — that spread throughout the whole southern hemisphere. Questions of exchange and silver-production loomed large. Credit was shaken, and a change of party-government might shake it even in Washington. (310)

The 1893 crisis itself was triggered when the free coinage of silver stopped and investors rushed to buy gold, which had become a safer investment. On August 8, 1893 a few months after his inauguration, President Grover Cleveland, a democrat, sent a message to Congress recommending the repeal of the Sherman Silver Purchase Act, passed three years earlier (July 14, 1890), during the administration of Benjamin Harrison, a republican president. The Sherman Silver Purchase Act had established parity between

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occurred in 1814 in the aftermath of the War of 1812. When the Second Bank of the U.S. suspended the issue of bank notes, it caused widespread bankruptcies, bank failures and runs, prices dropped and large scale unemployment ensued. The Panic of 1837 arose when American citizens began to accept payment only in specie (gold or silver coinage), believing that the government was selling land and accepting questionable state bank notes. As a result of this, banks failed, unemployment rose, and five-year depression took hold of the economy. The Panic of 1871, also known as the Long Depression, was caused by the fall in the value of silver internationally when Germany decided to abandon the silver standard after the Franco-Prussian War. Because the U.S. was a major supplier of silver, there was a drop in demand. Before that, the U.S. had backed its currency with both gold and silver, but with the Coinage Act of 1873, the country moved to the gold standard and stopped buying silver at a statutory price. The Panic of 1893 was the next major financial crisis.

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7 According to Jean Gooder, this first moment in the crisis did not affect Adams’s finances greatly, as she writes in her notes to the *Education*, because his investments were not on the Stock Market. Cf. Jean Gooder, *Education*, p. 524, note 20.
gold and silver, requiring the U.S. government to buy 4,500,000 ounces of silver each month and to issue the equivalent in Treasury notes that could be redeemed either in gold or silver. Cleveland informed Congress that he would convene a special session to meet in September "to the end that through a wise and patriotic exercise of the legislative duty, with which they [the people’s representatives in Congress] solely are charged, present evils may be mitigated and dangers threatening the future may be averted." The legislation surrounding the Sherman Silver Purchase Act had been highly controversial and contentious and had thrown into opposite political camps those citizens who wanted to borrow money more freely and those deeply afraid of the impact of inflation on their personal finances. It had represented a sort of “truce”, according to Cleveland, “between the advocates of free silver coinage and those intending to be more conservative.” The repeal of the legislation was a major setback for the debtor classes, with a long history of conflict with the moneyed interests of the country, ever since Shay’s rebellion, because it meant that they would not be able to borrow money easily and at reasonable interest rates for investment. It drove silver out of the international money system and made the gold standard the only acceptable means of payment in international transactions.

Part Two: The Silver/Gold Standard

Whether the U.S. should adhere to the gold standard or shift to another currency standard, namely paper money or silver was one of the most

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8 http://www.let.rug.nl/usa/documents/1876-1900/grover-cleveland-message-on-the-repeal-of-the-sherman-silver-purchase-act-august-8-1893.php (accessed January 21, 2012). A question that comes immediately to mind is why was the silver Act passed under a Republican President if the legislation benefitted creditor classes, and repealed under a Democratic one? One of the reasons may have to do with the fact that the Executive branch always favored gold because it believed to be thus placing the American economy on par with the most developed ones in the world. Another one may be connected with political patronage.

important issues in American politics between 1865 and 1900. The Republican Party, which controlled the American presidency uninterrupted from the end of the Civil War to the eve of WWI, with the exception of the two administrations of Grover Cleveland, created the political framework and developmental policies behind America's industrialization. Its political program provided the foundational policies required for the expansion of America's industry, namely the gold standard, the protective tariff, and the national market: adherence to the gold standard provided the currency stability required to do business internationally, particularly with the United Kingdom, tariff protection allowed American manufacturing enterprises to do business without the hindrance of international competition, and finally, a growing and unregulated national market provided the economic space where American corporations could sell their products.\textsuperscript{10} The gold standard was important in international transactions because it also provided the means whereby the stock markets of London and New York could be integrated and government bonds and shares in railway companies could more easily be bought and sold (Bensel 453). As the automatic adjustment mechanism that operated in the advanced economies of Europe and the United States up until World War I, it also permitted payments in international transactions and the control of inflation.\textsuperscript{11}

It was the belief of the supporters of the Democratic Party, however, that a weaker currency based on silver only, or in combination with gold, would stimulate the economy and lead to economic growth by allowing small businessmen and landowners to borrow money from banks at lower interest rates. The currency question, thus, split voters into two groups in postbellum American politics: the interests of big capital converged in the

\textsuperscript{10} For a detailed study of these questions, see Richard F. Bensel, \textit{The Political Economy of American Industrialization, 1877-1900} (Cambridge: Cambridge Univ. Press, 2000), chapter 6, “Political Administration and Defense of the Gold Standard”.

\textsuperscript{11} On the subject of the gold standard, Ernest Samuels observes the following in the introduction to his \textit{Henry Adams – Selected Letters}: “According to liberal doctrine, the gold standard guaranteed a neutral pecuniary medium that served to keep corruption and error, chicanery and sentimentality, out of the fiscal process.” \textit{Ibidem}, p. xxii.
Republican Party whereas those of small businessmen were concentrated in the Democratic Party. Here is the lament of a Louisiana Democrat about the gold standard and high protective tariffs advocated by the Republican Party, to the effect that under “the gold standard and a high protective tariff, the twin fetishes of Republican ignorance and greed, the Southern cotton planter if between the upper and nether millstones of legislative oppression — by the one the value of his product is decreased, and by the other the articles which he must necessarily buy are increased in price” (qtd. in Bensel 429).

Gold was not neutral in nineteenth-century America: it had an inherent class and sectional side to it, benefitting the financial capitalists, the bankers and the capital-exporting North-East, to the detriment of the South and West, economically less developed and in need of capital to expand. During the Civil War the U.S. government had abandoned the gold standard, thus allowing this metal to fluctuate in value. It had printed paper money (greenbacks) to overcome the shortage of gold reserves and to pay for the war effort, an inflationary policy that reduced the purchasing power of the dollar to a portion of what it had been before the Civil War. From 1865 to 1879, the country pursued a deflationary policy to invert the situation, which had been caused by the excessive supply of paper money in the economy, but in 1879 it returned to the gold standard so as to stabilize the value of the dollar in foreign markets. From 1879 to the mid-1890s, the U.S. went through a period of deflation, as other countries joined the gold standard. This limited the supply of gold in world markets creating difficulties for those who wished to borrow money. Silver became an alternative currency standard because its supply was plentiful. In his *The Age of Reform* (1955), Richard Hofstadter singles out three major events that strengthened the silverite supporters in the early 1890s: the six new western states that joined the Union (Idaho, Montana, North Dakota, South Dakota, Washington and Wyoming), the repeal of the Silver Purchase Act, alluded to before, and the beginning of the economic crisis (104). In general terms, the executive branch of the U.S. government opposed silver, whereas Congress varied in its support for a standard that would include silver, depending on its majorities in the House of Representatives and in the Senate. On March 13th, 1900, however, the U.S. House of Representatives approved the gold standard for the nation, putting an end
to an issue which had dominated American politics since the end of the Reconstruction period.

Adams had always felt very strongly about the power of capital over the body politic ever since he had uncovered the scandal surrounding the capitalists Jay Gould and Jim Fisk to corner the gold market in the early 1870s, which he detailed in his essay “The New York Gold Conspiracy” (1870). Jim Fisk and Jay Gould were two American capitalists of the time who were no amateurs when it came to market speculation. They had made a fortune by speculating in railway stock, thus having become the owners of the Erie Railway. The two men were examples of Americans’ propensity for material accumulation, which the end of the Civil War had exacerbated, to such an extent, as Adams remarks, that “almost every man who had money employed a part of his capital in the purchase of stocks or of gold, of copper, of petroleum, or of domestic produce, in the hope of a rise in prices, or staked money on the expectation of a fall” (“The New York Gold Conspiracy” 51-52). Moreover, it was a process that was no different from “roulette or rouge-et-noir” (52). Adams maintains in this essay that the Civil War had created a “speculative mania” the likes of which the U.S. had never seen before, which only stopped when the government stopped printing greenbacks and investors began switching to gold (“The New York Gold Conspiracy” 51). “Gamblers”, or “outsiders”, is how Adams labels Americans who were not professional investors (“stock-gambling” is another of Adams’s favorite terms to describe the speculative buying and selling of company shares), driven off the market with huge losses by investors like Cornelius Vanderbilt and Daniel Drew, who succeeded in creating huge monopolies for themselves (“The New York Gold Conspiracy” 53).12 In “The New York Gold Conspiracy” Adams admonishes the American public about the dangers to the body politic of corporations such as the Erie Railway, which he sees as “a threat against the popular institutions spreading so rapidly over the whole world” (85). The Erie Railway — and other corporate bodies — “has shown its power for mischief and has proved itself

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12 Jim Fisk and Jay Gould took control of the board of the Erie Railway after Daniel Drew retired from it with a massive profit. Vanderbilt had tried to take control of the stock of the company, but he had not been successful.
able to override and trample on law, custom, decency, and every restraint known to society, without scruple, and as yet without check” (84). It, “like all great railway corporations, was an empire within a republic” (56). The day will come, Adams suggests in the same essay, when these corporations will issue orders to governments.

In the collection of essays Henry Adams compiled with his brother Charles Francis Adams, Jr. entitled *Chapters of Erie, and Other Essays* (1871), discussing the great issues facing the nation in the aftermath of the Civil War, we can read about the orthodox economics of a young man who wishes to make a name for himself in the American press of the time. In the first essay, “The Bank of England Restriction”, published in the October 1867 issue of the *North American Review*, Adams examines the difficulties faced by the British government when it began to redeem in specie (gold) the paper money it had issued during the Napoleonic Wars, in May 1821. Just like in America, so in Great Britain there was a party against gold, with which the Bank of England had to contend. Adams praises this institution because it did everything to preserve the country from the evils of “an inconvertible currency” (“The Bank of England Restriction” 229), as a paper currency should be a temporary measure, the type of restriction that may be introduced as “a war measure merely” (“The Bank of England Restriction” 263). His stance on gold is evident in the closing paragraphs of the essay we have been quoting from when he observes: “and after twenty-four years of an unredeemable paper currency, Great Britain returned smoothly and easily to its ancient standard, and redeemed its pledged honor” (267). In the second essay, “British Finance in 1816”, first published in the April 1867 issue of *North American Review*, Adams details the financial situation of Great Britain after the Napoleonic Wars, focusing on the question of national debts (public deficit) and the currency. In it, he argues against the protective tariff applied to imported goods, a policy which England had embraced during the conflict with Napoleonic France (removed soon after the war ended), advocating the adoption of reforms in the financial system as well. Although these matters refer to events that had happened approximately a century before, Adams feels that they are “instructive” and that there are lessons to be learned by nations facing similar problems in the aftermath of major conflicts, most notably, governments must have sound finances
and beware of two evils: public debt and a paper currency. England was able to reform its financial system when it returned to the gold standard in 1817 and it is now time for the U.S. to do the same, this is the subtext for his readers.

Part Three: Gold-bugs

The year 1893 was no ordinary year. It was the year of the “World’s Columbian Exposition”, marking four hundred years since the arrival of Christopher Columbus in the New World, and which opened its doors in May 1893, in Chicago. It was also the year Frederick Jackson Turner delivered his acclaimed paper “The Significance of the Frontier in American History”, announcing the closing of the western frontier, the disappearance of the line of unsettled land that had been “the meeting point between savagery and civilization” (32), the loss of the single most important factor in the development of the U.S. as a nation.\textsuperscript{13} And now, for the worst possible reasons, it was to become associated with the most severe financial crisis the U.S. had ever faced, following the repeal of the Sherman Silver Purchase Act.

When Adams realized that the gold standard was not a neutral medium of exchange in international transactions and that the new powers of industrial and financial capitalism — the gold-bugs, bankers and Jews — controlled the international financial system, he lashed out at them in his private correspondence.\textsuperscript{14} (“Gold-bugs” is the label he chooses to use from this moment onwards when referring to the industrialists and financiers that had come to dominate the American economy.) His dislike

\textsuperscript{13} The paper was delivered before an audience of nearly two hundred historians who had gathered precisely at the above-mentioned Columbian Exposition, in Chicago.

\textsuperscript{14} Adams followed the Dreyfus affair in France. He was convinced, like many Frenchmen, that those who came out in Dreyfus’s defense were part of a conspiracy which aimed to damage the reputation of the French army and the Catholic Church. A certain degree of anti-Semitism can be detected in Adams’s personal correspondence at the time. Like many, Adams believed Jewish financiers had the governments of some nations in their hands and were to be blamed for the disarray in international financial markets.
of bankers and capitalistic society, which had been a fact most of his life and stemmed from a suspicion of the impact of moneyed interests in the political life of the country, now figure prominently in his thought. His state of mind is evident in a famous passage in *Education* where he sums up his whole political stance as a citizen who had spent his life worrying about where his country was heading:

He had stood up for his eighteenth-century, his constitution of 1789, his George Washington, his Harvard College, his Quincy, and his Plymouth Pilgrims, as long as anyone would stand up with him. He had said it was hopeless twenty years before, but he had kept on, in the same old attitude, by habit and taste, until he had found himself altogether alone. He had hugged his antiquated dislike of Bankers and Capitalistic Society until he had become little better than a crank. (327-8)

In *Education* Adams confesses that, just like the majority of Americans, he was for silver, the great issue of the year 1893. Together with Senator Cameron (Adams may have helped him write his speech against the repeal of the Sherman Silver Act of 1890), his ally on the issue, Adams posits the question of silver in his autobiography as one that had to do with morality,\(^{15}\) political morality, that is, even though morality, as he writes, “is a private and costly luxury” (320). On a personal plane, though, we should not forget that gold ensured that Adams’s assets would not lose value over time due to inflation and that his purchasing power would thus be maintained, as well as his income and investments. Consequently, as far as personal finances were concerned, his private interests lay (should lie) with gold, that is to say, with the banks and corporations he so despised.

Americans had decided for gold in the presidential elections held the year before (1892), unaware that the popular vote is invariably decided by interests. For Adams, Grover Cleveland’s second White House victory had meant the victory of the gold-bugs, the victory the interests of the few over the many. Its significance is evident in a letter to Elizabeth Cameron (Washington, 13 July 1894), the young wife of Senator Cameron who became one of his closest confidantes in the latter part of the century, in

\(^{15}\) E. L. Godkin, Adams’s ally in his reform days, and *The Evening Post*, were for gold.
which he observes: “Now that the gold-bug has drunk blood, and has seen
that the government can safely use the army to shoot socialists, the wage
question is as good as settled. Of course we silver men will be shot next, but
for the moment, the working-men are worse off than we” (Selected Letters
300). Moreover, he asks Elizabeth if she has not heard of “that outrageous
usurer”, King Midas, “who has typified the gold-bug for three thousand
years?”, adding that “George M. Pullman and Andrew Carnegie and
Grover Cleveland are our Crassus and Pompey and Caesar — our proud
American triumvirate, the types of our national mind and ideals” (Selected
Letters 300-1).

But the currency issue was far from settled even though the legisla-
tion which had established its mandatory purchase by the state had been
repealed. It came back again as a campaign issue in the 1896 presidential
election. The platform of both candidates — William McKinley (1843-
1901) for the Republicans and William Jennings Bryan (1860-1925) for
the Democrats — reflected the stance of their respective electorates:
McKinley stood for gold, for territorial expansion and the interests of big
money, whereas Bryan endorsed his ticket, silver and political reform. In a
letter to William Hallett Phillips (1853-1897), his collaborator in the
Cuban independence movement, Adams observes the following, a-propos
the radicalization of the dispute between the advocates and the opponents
of silver: “I am grimly entertained by the frantic howls and yells of the New
York bankers and eastern money-lenders and silver” (Selected Letters 322).

At this point in time Adams and his younger brother Brooks had
began to collaborate on the study of the connections between economics,
politics and global financial markets. They supported the nomination of
the populist Bryan to the Democratic Party, unorthodox politics for
members of the Adams clan, who had in most instances stood behind the
nominees of the Republican Party. Like many Americans, Bryan’s “Cross
of Gold” speech, with which he won the nomination of the Democratic
Party, must have persuaded them that the gold-bugs were indeed running

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16 There is a reference here to the Pullman strike, led by Eugene Debs, Cleveland’s
defeated, Socialist opponent in the race for the White House.

17 He tells her to read Ovid’s Metamorphoses, Book 11, lines 90-190. Ibidem, p. 301.
the show. It is worth remembering here that Bryan had won the nomination with this widely acclaimed (and inflamed) speech which expressed the plight of those who felt that a currency standard based on gold only benefited the wealthier classes. In it, he had been adamant to rich and powerful Americans: you “shall not press down upon the brow of labour this crown of thorns [the gold standard], you shall not crucify mankind upon a cross of gold” (qtd. in Brogan 432). Still, Bryan lost the election to McKinley, having failed to secure the vote of America’s urban working class. On the subject of Bryan’s presidential bid, Adams remarks in one of his letters that “Bryan is American conservatism itself, as every movement must be that rests on small land-owners” (Selected Letters 323).

The fallout from the 1893 crisis persisted well into the closing years of the nineteenth century. Adams’s correspondence attests to the high level of political and economic turmoil since the great “spasm” of that year not just in the U.S. but in the rest of the world as well. He suspects that economic and political collapse might follow, noting in another letter to William Hallett Phillips that:

[…] all Europe is wondering what the devil is to be done to prevent a general convulsion which every government is doing its best to avoid, and which, even if avoided, is not escaped. The financiers are predicting collapse of inflated values and bubble joint-stock companies. The politicians are scared about Crete, Macedonia and Egypt. The manufacturers are scared

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18 The speech was delivered at the 1896 Democratic Convention. Small farmers, small businessmen, and debtors in general, believed they were being victims of big capital, in particular of American banks. William Jennings Bryan (1860-1925), who was a populist politician from Nebraska, had won the nomination from the Democratic Party for the 1896 presidential mandate. He “personified the agrarian values of individualism, equality, and Protestant morality in an urban-industrial era of deepening class and ethnic divisions.” Cf. Boyer, p. 89. He was against corporate power and overseas expansionism, including the Spanish-American War. Defeated by William McKinley twice in the presidential race, he was again the Democratic candidate in 1908, but lost to William Howard Taft. Bryan supported the fundamentalist movement in 1920s, and is best known for his testimony as a prosecution witness for the accusation at the Scopes trial.
about everything — competition, war, socialism, strikes, ruined markets, legislation and want of legislation. (Selected Letters 322-3)\textsuperscript{19}

With the possibility of war in the air, whether in Cuba, South Africa or Turkey, European powers, Adams writes in the same letter, are unable, or unwilling, to act and meet the challenges: “War or rot! Rot or war! Europe turns from one to the other, and despair settles down all over it” (Selected Letters 324).\textsuperscript{20} A state of unveiled anxiety and fear prevails, with everybody waiting for the next chasm, but not knowing when it will come.

The same tone of impending crisis can be found in a letter to Worthington Chauncey Ford (1858-1941), Adams’s friend and financial advisor, director of the Bureau of Statistics in the State Department. In it, he refers to the possibility of an all out trade war between the U.S. and Europe, his view being that some European countries cannot compete with the U.S. because their prices and respective currencies are too high. This state of affairs is causing a negative trade balance, contributing to a widespread drop in the prices of the products manufactured in Europe. As we can infer from the following passage, Adams was worried about the economic implications of it all:

[...] I see increasing uneasiness in nearly all the industrial circles of Europe and the bank statements of Russia and Germany, Austria and France show that a general and somewhat painful effort has been made for contraction, which must press their industries hard. I am at a loss to see how, under such conditions, at present prices, their industries can compete with ours. The whole of western Europe is already tributary to us. (Selected Letters 356)\textsuperscript{21}

\textsuperscript{19} Letter dated 26 July 1896.

\textsuperscript{20} The major conflicts alluded to here are: The massacre of Armenians by the Turks (1894), the Spanish-American War (1898), the Boer War (1899), the Chinese Boxer Rebellion (1900). In the case of Turkey, Adams observes: “all Europe shuts its eyes with shame when it remembers Armenia.” Cf. Selected Letters, p. 322.

It is a state of turmoil, incertitude, and imbalance in world markets that points, sadly, in the direction of the great conflict of 1914-1919.

In his private correspondence, Adams continues to express his dislike for the kind of financial control international bankers exert over governments, as the latter are forced to borrow money from major lending houses. The gold-bugs are now “squeezing” the governments of England and France, Adams writes in a letter to Elizabeth Cameron, forcing them to borrow more money from the U.S. He wonders if the Bank of England, for instance, will be able to pay back what it already owes. Adams envisages a future where the U.S. might “take at once the hegemony of the world — the head of the column, — the pride of the biggest purse — and all the Jews will emigrate to New York” (Selected Letters 343).\textsuperscript{22}

As the nineteenth century came to a close, however, Adams was forced to concede defeat. The forces of capitalism which Americans loved and which America now commanded were too powerful to be defied. Adams and his friends set aside the silver issue (and with it the idea of a common interest) and accepted the inevitable, as he points out in Education: “the single gold standard and the capitalistic system with its methods; the protective tariff; the corporations and trusts; the trade unions and socialistic paternalism which necessarily made their complement; the whole mechanical consolidation of force, which ruthlessly stamped out the life of the class into which Adams was born, but created monopolies capable of controlling the new energies that America loved” (328-9).

**Conclusion**

In the end, Adams’s finances were not greatly affected by the crisis of 1893, but what lessons can we learn from Adams’s personal narrative on the Panic of 1893? A number, for certain, but I would like to highlight in this paper one particularly relevant in today’s political and economic climate: markets cannot, must not override the needs of individuals and citizens. As Eric Liu and Nick Hanauer affirm in their book, The Gardens of Democracy, written as a reaction to the 2008 sub-prime crisis, American culture

\textsuperscript{22} Letter to Elizabeth Cameron, from Athens, dated April 10, 1898.
remains to this day a “greed-celebrating, and ambition-soaked culture” (27). And, as economies are not “perfect, self-regulating machines” (78), as they point out as well, so market regulation — which did not exist in the period under consideration — must be introduced to protect citizens from the financial imbalances which have taken hold of the economies of so many countries in the past few years. I would like to subscribe to their proposed model of public imagination, which they subsume under two general headings in this book: “Machinebrain” versus “Gardenbrain”. This new model of public imagination rests on the idea that the economy must be regarded as a garden to be tended and looked after, rather than a machine capable of finding by itself its own equilibrium levels. The economy of the nineteenth-century America did not possess the regulating mechanisms put in place during the New Deal, and so it makes no sense, in my view, to return to the obsolete laissez-faire economics, unregulated market practices, or rugged individualism that characterized the Gilded-Age America.

Adams believed that economics should not rule over politics, and although he was not the only American author to draw the attention of his fellow citizens to the inadequacies of a political system wholly dependent on the self-interest of its citizens (let us not forget also the admonitions of Thoreau, Whitman, and many other American sages), he was one of the most forceful ones in arguing for the need to place the

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23 Income inequality may indeed be the cause of our economic woes. Liu and Hanauer write in *The Gardens of Democracy* that in the last 30 years (since Reagan’s 1980 election) the share of income the richest 1% earn went up from 8.5% to 24%; meanwhile the income of the bottom 50% of Americans fell from 18% to 12.5% (96). Economic collapse may occur if this trend continues, as wealth becomes ever more concentrated in the few. Moreover, only in the period before the Depression of the 1930s did we see this level of wealth concentration. The adoption of the gold standard, associated with the 1893 Panic, had a similar impact, with wealth being concentrated ever more in fewer and fewer hands.

24 Policymakers did not anticipate the 2008 crisis. Liu and Hanauer note that Alan Greenspan himself, chairman of the Federal Reserve Board between 1987 and 2006, has admitted that the economic model in place in the U.S. was flawed as it did not take into account “human irrationality”. *Ibidem*, p. 10.
common good above personal interests, even when the two were not coincidental. Adams was well aware that self-interest was the driving force behind American capitalism, but I am convinced that he would have agreed with Liu and Hanauer when they write that “true self-interest is mutual interest”: if you defer your own self-interest, or what you can potentially gain from furthering your own interests, for the common good, you benefit society as a whole and yourself too, because human beings need other human beings and no one is an island (41). Adams’s dislike of banks and corporations was real because these undermined individual and collective consciousness by taking away the capacity of citizens to make their own free choices. The issue of the gold/silver standard at the heart of the Panic of 1893 embodied for him, as I hope to have shown, the old dichotomy between the interests of the few versus those of the many, eroding confidence and self-worth in the face of impending crises, then as now, in America or in any another nation of the northern or southern hemisphere.

Works Cited


25 Moreover, as they put it, this change in our notion of self-interest can help us to “prepare for and or prevent — calamities like global financial meltdowns or catastrophic climate change or political gridlock.” Cf. Liu and Hanauer, p. 41.


Abstract

Does financial bankruptcy on a national level imply failure on a personal plane? To what extent does national financial meltdown undermine individual identity and consciousness? Can personal loss of identity and confidence be transposed onto the national level? And what about one’s self-worth, does it become a “valueless currency” as well? I wish to examine in this paper the Panic of 1893 through the eyes of Henry Adams (1838-1918), one of the most insightful observers of the American political scene in the second half of the nineteenth century. Adams’s non-fiction works are particularly illuminating in the context of the postbellum industrialization of the United States and of the development of financial capitalism in the latter part of the nineteenth century. His jeremiadical discourse on the subject of the 1893 financial meltdown of the U.S. economy and on the impact of financial bankruptcy on individuals and nations, provide us with plenty of food for thought these days. The author in question evidences misgivings in his works about the hegemonic impact of capitalism on the lives of both individuals and nations, criticizing the drive for economic supremacy and territorial expansion pursued by the United States at the time. What lessons can we draw from Adams’s personal narrative (and from the past, for that matter) to understand our current financial and political woes is a question which will hold centre stage in this paper.

Keywords
American Autobiography; Gold Standard; Gold-bugs; Silver Standard; Panic of 1893.

Resumo

Até que ponto uma situação de bancarrota financeira a nível nacional poderá significar algo semelhante a nível pessoal? Em que medida o colapso financeiro de um país poderá afetar a identidade e a consciência individual de um cidadão? Poderá a perda de identidade e de confiança pessoal ser transposta para um nível
nacional? E que dizer em relação ao próprio sentido de valor que cada indivíduo possui acerca de si, será que este se pode transformar em moeda-corrente destituída de qualquer valia? Com este artigo pretende-se analisar o Pânico de 1893 através do olhar de Henry Adams (1838-1918), um dos mais perspicazes observadores da cena política dos Estados Unidos da América durante a segunda metade do século XIX. As suas obras de cariz não-ficcional são particularmente elucidativas no contexto da industrialização dos Estados Unidos no período pós-Guerra Civil e do desenvolvimento do capitalismo financeiro deste país nos finais de oitocentos. O seu discurso de características jerêmicas acerca do colapso financeiro da economia americana que ocorreu em 1893 e das consequências de uma bancarrota de natureza financeira sobre os indivíduos e as nações proporciona-nos ampla matéria para reflexão nos dias que correm. O autor em questão evidencia nos seus textos de não-ficção uma acentuada ambivalência no que diz respeito ao impacto hegémônico do capitalismo financeiro tanto na vida das pessoas como das nações, criticando a ambição dos Estados Unidos nesse momento da sua história por um modelo de supremacia económica e expansão territorial. Que lições se podem retirar da narrativa pessoal de Adams (bem como do passado, no seu todo) que nos permitam compreender as nossas dificuldades políticas e financeiras no momento presente é um dos assuntos centrais deste artigo.

**Palavras-Chave**

Autobiografia Americana; Especuladores Financeiros; Padrão-Ouro; Padrão-Prata; Pânico de 1893.