The Politics of Economic Crises: The Panic of 1873, the End of Reconstruction, and the Realignment of American Politics[1]

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On September 18, 1873, the announcement of Jay Cooke and Company's bankruptcy sent Wall Street to a panic, and the country to a long, harsh depression. Americans interpreted this economic crisis in the light of the acrimonious financial debates born of the Civil War—the money question chief among them. The consequences transformed American politics. Ideologically ill-equipped to devise cohesive economic policies, political parties split dangerously along sectional lines (between the Northeast and the Midwest). Particularly divided over President U.S. Grant's veto of the 1874 Inflation Bill, the Republican Party decisively lost the 1874 congressional elections. As a Democratic majority in the House spelled the doom of Reconstruction, the ongoing divisions of both parties on economic issues triggered a political realignment. The dramatic 1876 elections epitomized a new political landscape that would last for twenty years: high instability in power at the national level and what has been described as the "politics of inertia." Therefore, by closely following the ramifications of the 1873 panic, this article proposes an explanation of how an economic crisis transformed into a pivotal *political* event.

Before the crisis of 1929 claimed the name, the "Great Depression" commonly referred to the tough economic times ushered in by the Panic of 1873. Starting with a double financial crash (in Vienna, Austria, in the spring, and in New York in the fall), it evolved into a full-blown economic depression that spread through Europe and North America, with an initial recession that severely affected production, prices, and wages. Social costs

[1]This article greatly benefited from the comments of many fine scholars who have either read or heard it at different stages. I particularly wish to thank Margo Anderson, Richard Bensel, Pierre Gervais, Jean Heffer, Richard John, and Scott Nelson for their very helpful input.

were heavy; widespread unemployment bred labor unrest and strikes, often met with harsh repression.

Nevertheless, we know surprisingly little about this major event of the postbellum United States. Although its historical impact was large—and, as two scholars have recently argued, it might be particularly relevant to understand today's economic crisis[2]—few studies have tried to explain its manifold consequences, economic, social, and political.[3] Reconstruction is a case in point. Arguably the most salient political issue of the day, it could not but be affected by a crisis of such magnitude, yet many classic studies simply overlook it.[4] Others mention it, but rarely give it real explanatory power in their arguments.[5] It might be that the historiography of Reconstruction, focusing on race and politics in the South, has evolved very separately from other historiographies dealing with developments within the North.[6] Still, even studies with a more national scope, while they give more importance to the 1873 economic crisis, generally approach its political consequences in the broadest terms (often in striking contrast with the detailed analyses they otherwise offer).[7] The specific causal links between the economic crisis and the fate of Reconstruction remain nebulous.

To many historians, however, it seems obvious that the 1870s were a turning point in American history. Textbooks also tell us so, generally using 1877 as

[2]Scott Nelson, "The Real Great Depression," *Chronicle of Higher Education*, Oct. 17, 2008; Paul Krugman, "The Third Depression," *New York Times*, June 27, 2010. The current crisis has renewed scholarly interest in historical precedents: see Carmen M. Reinhart and Kenneth S. Rogoff, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton, 2009).

[3]There is no equivalent to the study of the Panic of 1857 by James L. Huston, *The Panic of 1857 and the Coming of the Civil War* (Baton Rouge, 1987).

[4]See for instance such standard works as William Gillette, *Retreat from Reconstruction, 1869–1879* (Baton Rouge, 1979); and Michael Perman, *The Road to Redemption: Southern Politics, 1869–1879* (Chapel Hill, 1984); or, more recently, Brooks D. Simpson, *The Reconstruction Presidents* (Lawrence, KS, 1998).

[5]A typical example might be James Keith Hogue, *Uncivil War: Five New Orleans Street Battles and the Rise and Fall of Radical Reconstruction* (Baton Rouge, 2006). The author mentions the economic recession only to explain that unemployment swelled the ranks of the White Leagues in Louisiana.

[6]Heather Cox Richardson underlines this in "North and West of Reconstruction: Studies in Political Economy" in *Reconstructions: New Perspectives on the Postbellum United States*, ed. Thomas J. Brown (Oxford, 2006), 66–90.

[7]For instance, Eric Foner views it as a large shift in the history of political thought and culture; the end of free-labor ideology put the fear of class warfare into the elites and pushed the Republican Party to economic conservatism. Foner, *Reconstruction: America's Unfinished Revolution, 1863–1876* (New York, 1988), 512–24. More recently, Michael Holt argued that voters generally voted the party out of power when such a hardship hit: David Herbert Donald, Jean Harvey Baker, and Michael F. Holt, *The Civil War and Reconstruction* (New York, 2001); Michael F. Holt, *By One Vote: The Disputed Presidential Election of 1876* (Lawrence, KS, 2008).

a cutting point in their narratives. The transformations of the decade have been analyzed through many lenses. Politically, the 1870s saw the resurgence of Democrats, the end of Reconstruction, and an altogether new "character of American politics."[8] Economically, the decade ushered in an unprecedented trend of concentration and the waning of the producerist ideology, especially among businessmen. Socially, it resulted in a hardening of class lines.[9] All in all, the 1870s were a time of deep transformations of American society. Arguably, the 1873 crisis played a large role in this. Richard Schneirov recently argued in this journal that it triggered a change in class relations and systems of production, thus making it a fitting starting date for the Gilded Age.[10]

How could a banking panic trigger such momentous changes? Part of the explanation, this article argues, lies in the way Americans *interpreted* the financial events and their economic consequences. These interpretations were based on facts, of course, as they became known, but they also relied heavily on past experience and ongoing debates in political economy. What follows is an examination of the specific mechanisms that translated an *economic* event into a *political* response. In essence, it is an analysis of what could be called the "politics of the 1873 crisis." By this phrase, I mean three complementary dimensions of a single phenomenon: first, the political legacy and structure that constrained the response to the crisis; second, the political reaction to the crisis; and third, the effect of this reaction on both the political culture and structure of the United States. This multi-faceted approach should help us understand how Americans' analysis of the crisis was strongly shaped by past political debates and why such a reading led to a crucial, if partial, reconfiguration of the partisan landscape that would last for the remainder of the nineteenth century.

[8] Paul Kleppner, *The Third Electoral System: Parties, Voters and Political Cultures, 1853–1892* (Chapel Hill, 1979); Morton Keller, *Affairs of State: Public Life in Late Nineteenth-Century America* (Cambridge, MA, 1977), quotation 238.

[9] Alfred D. Chandler Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, MA, 1977); Walter T. K. Nugent, *Money and American Society, 1865–1880* (New York, 1968); Richard Schneirov, *Labor and Urban Politics: Class Conflict and the Origins of Modern Liberalism in Chicago, 1864–97* (Urbana, 1998); Sven Beckert, *The Monied Metropolis: New York City and the Consolidation of the American Bourgeoisie, 1850–1896* (New York, 2001).

[10] Richard Schneirov, "Thoughts on Periodizing the Gilded Age: Capital Accumulation, Society, and Politics, 1873–1898," *Journal of Gilded Age and Progressive Era* 5 (July 2006): 189–224. The phrase "Gilded Age" is used here for lack of a better one. Although the terminology might be contested, Schneirov offers a convincing argument about the chronology of the period. On the term itself, see the forum in *Journal of Gilded Age and Progressive Era* 8 (Oct. 2009): 463–85.

From Financial Panic to Economic Recession

We know little more about the economic aspects of the Panic of 1873 and its consequences than its political impact. The last in-depth studies date back to the 1950s, yet those works relied heavily on the report Harvard economist Oliver M. W. Sprague wrote for the U.S. Congress's National Monetary Commission in 1910.[11] Otherwise, the crisis has been studied in relation to others in the nineteenth century. Two fields of inquiry sum up the attention the episode seems to have received from economists and economic historians. The first one deals with business cycles and revolves around the influential chronology of peaks and troughs the National Bureau of Economic Research has published since the 1920s.[12] Scholars interested in financial crashes also include Black Friday in 1873 but as an instance among many nineteenth-century panics: They generally try to create a model out of the recurring events but use little space for an in-depth analysis of each.[13]

On Wall Street, the panic started on September 18, 1873, with the suspension of Jay Cooke and Company. The financier, famous for having marketed

[11]O. M. W. Sprague, *History of Crises under the National Banking System* (Washington, 1910). Most data related to the crisis in later works come from this book; among the most useful are Rendigs Fels, *American Business Cycles, 1865–97* (Chapel Hill, 1959); and Irwin Unger, *The Greenback Era: A Social and Political History of American Finance, 1865–1879* (Princeton, 1964). Fred Moseley also remarks on the scant scholarship on the 1873 crisis, while Hugh Rockoff underlines in a survey published in 2000 that Sprague's book "is still indispensable": Fred Moseley, "Depression of 1873–1879" in *Business Cycles and Depressions: An Encyclopedia*, eds. David Glasner and Thomas F. Cooley (New York, 1997), 148–49; Hugh Rockoff, "Banking and Finance, 1789–1914" in *The Cambridge Economic History of the United States*, vol. 2: *The Long Nineteenth Century*, eds. Stanley L. Engerman and Robert E. Gallman (Cambridge, 2000), 643–84. One notable exception is Elmus Wicker, *Banking Panics of the Gilded Age* (Cambridge, 2000), 16–33, which offers a new narrative and brings new data to the analysis of the banking side of the panic.

[12]The first NBER study of business cycles was published in 1923: National Bureau of Economic Research, *Business Cycles and Unemployment; Report and Recommendations of a Committee of the President's Conference on Unemployment, Including an Investigation Made under the Auspices of the National Bureau of Economic Research*, 1st ed. (New York, 1923). This ongoing study has since been the subject of many discussions and reevaluations, but most commonly with regard to twentieth-century data. For a recent essay focusing on the nineteenth century, however, Joseph H. Davis, "An Improved Annual Chronology of U.S. Business Cycles since the 1790s," *Journal of Economic History* 66 (Mar. 2006): 103–21.

[13]Certainly the most successful attempt is Charles P. Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crises* (1978; rev. ed., New York, 1989). See also Charles W. Calomiris and Gary Gorton, "The Origins of Banking Panics: Models, Facts, and Bank Regulation" in *Financial Markets and Financial Crises*, ed. R. Glenn Hubbard (Chicago, 1991), 109–73. A good summary of the financial side of the crisis and the scholarship dedicated to it can be found in Rockoff, "Banking and Finance," esp. 667–69, 942.

more than a billion dollars in U.S. bonds during the war, had invested heavily in railroads, especially a second transcontinental: the Northern Pacific Railway. However, in 1873 the road was nowhere near completion, and Cooke failed to sell new securities in a very tight market. Having underwritten the company, he went bankrupt.[14]

Several businesses had already failed that month, but the news about Jay Cooke and Company stunned Americans: Both the financial clout and the high visibility of the financier's firm led to a panic. Many banks failed in its wake, as credit suddenly withdrew from the market, and short-term loans were recalled. The New York Stock Exchange closed on September 20—for the first time in its history—and did not reopen for the following ten days. At the urgent request of many prominent bankers, the U.S. Treasury injected money into the system, first by buying U.S. bonds, then by reissuing greenbacks. To protect their rapidly depleting reserves, New York banks partially suspended payments on their notes and centralized payments in the New York Clearinghouse (a consortium of banks that issued loan certificates, instead of cash, for interbank transfers). By November, the financial storm had passed, and banks resumed payments of their notes.[15]

A credit bubble had burst and led to a panic. This overextension was partly the result of the financial system that had emerged from the Civil War and especially the pyramidal National Banking System that facilitated the draining of money toward the East Coast financial centers.[16] Two other trends—one recurring and one new—compounded this problem in 1873. The New York financial market was seasonally tight every fall: Many country banks, which deposited their reserves in New York banks, recalled them every fall for the moving of the considerable crops harvested in the Midwest; many eastern banks also lent huge amounts of cash to the currency-deprived region at the same time. This drained money from the large centers of the East, especially New York. This dangerous recurring situation had alarmed bankers for a long time.[17] The explosion only came in the wake

[14]"The President and the Panic," *Harper's Weekly*, Oct. 11, 1873, 890; David Glasner, "Crisis of 1873" in *Business Cycles and Depressions*, eds. Glasner and Cooley, 132–34; Henrietta M. Larson, *Jay Cooke, Private Banker* (Cambridge, MA, 1936); Richard White, *Railroaded: The Transcontinentals and the Making of Modern America* (New York, 2011).

[15]"The President and the Panic," *Harper's Weekly*, Oct. 11, 1873, 890; Rockoff, "Banking and Finance"; Glasner, "Crisis of 1873"; Wicker, *Banking Panics*. Wicker's contention is that suspension was unnecessary and probably a serious mistake.

[16]Fritz Redlich, *The Molding of American Banking: Men and Ideas* (repr. New York, 1968).

[17]U.S. Comptroller of the Currency, *Annual Report of the Comptroller of the Currency* (Washington, 1868); Margaret G. Myers, *The New York Money Market* (New York, 1931); Richard Franklin

of the drying up of European investment, however, on which U.S. railroads especially had relied heavily: the crash in Vienna in May 1873 had dampened the mood of European investors, which set the context for the U.S. panic in the fall. Although the Vienna crisis mainly affected Central Europe (France and England managed to stay out of it, for the most part), many Europeans had already started liquidating their riskier investments, U.S. railroad securities among them.[18] This new drain on money in the New York market combined with the seasonal withdrawal of western reserves and prevented the sale of any new securities Cooke had counted on. His failure snowballed into a full-blown panic.

If, by November and after drastic measures, the financial crisis was over, it had spread to other sectors of the economy. Particularly hit were the railroads. After the Northern Pacific, whose failure had triggered the panic, other prominent companies defaulted, such as the Chesapeake and Ohio, the Burlington, and the Kansas Pacific. In a month, fifty-five roads had failed to meet their payments, and in three years, half of the railroad companies went to receivership. Railroad construction virtually stopped for the remainder of the decade. This, in turn, dramatically reduced the demand for many industries. Output of iron and steel declined by 45 percent in barely a year. Construction of machines dropped heavily. Production in other sectors was not hit as severely (agricultural output even continued expanding), but economic conditions worsened for them too, especially trade, building construction, and services. New York international commerce dropped. The country experienced the longest contraction of business in its young history.[19]

Although aggregate numbers of national production resumed growing fairly rapidly, the United States had entered what some economists have called a Long Depression, which would last until the final years of the century. A drop in prices, bringing down industrial wages and farm income, characterized this period.[20] Social consequences were particularly severe in the

Bensel, *Yankee Leviathan: The Origins of Central State Authority in America* (New York, 1990), 265–67.

[18]Glasner, "Crisis of 1873"; Charles P. Kindleberger, *A Financial History of Western Europe*, 2nd ed. (Oxford, 1993).

[19]Unger, *Greenback Era*, 220–26; Nugent, *Money and American Society*, 175–84; Moseley, "Depression of 1873–1879"; Jean Heffer, *Le port de New York et le commerce extérieur américain, 1860–1900* (Paris, 1986), 9; Joseph H. Davis, "An Annual Index of U. S. Industrial Production, 1790–1915: Companion Technical Data Appendix," National Bureau of Economic Research, http://www.nber.org/data/industrial-production-index/ (accessed July 25, 2011).

[20]Among those introducing the concept of a Long Depression was Rendigs Fels, "The Long-Wave Depression, 1873–97," *Review of Economics and Statistics* 31 (Feb. 1949): 69–73. Fels based his

1870s: Workers' real wages collapsed, bottoming in 1880 at their 1860 level. Many others lost their jobs. Thousands were laid off in the coal and iron areas of Ohio, Pennsylvania, and Illinois. Approximately a fourth of the labor force in New York City was unemployed during the first winter after the panic. Farmers also suffered, as prices dropped (especially wheat), and mortgages became unavailable for several months and remained too expensive afterwards. Such changes came about quite abruptly: "Factories and employers throughout the country are discharging hands, working half time, or reducing wages," reported Republican lawyer George T. Strong in his diary as soon as October 1873. "There is a prospect of a hard, blue winter." Labor tensions quickly flared. The Tompkins Square Riots of January 1874, when a workers' demonstration, the largest yet held in New York City, met brutal police repression, epitomized the abrupt worsening of economic and social conditions in the nation.[21]

The Political Response to the Panic

Interestingly, initial reactions to the financial panic were often optimistic. Trade journals probably strove to preserve confidence by downplaying the panic,[22] but generalist newspapers initially understood the situation in the same way. Ohio was a case in point: Both Republican and Democratic papers reported the news without much alarm. "On Thursday last, another panic came upon the money market of New York, which continued over Friday, making what is called another 'Black Friday,'" reported the Republican *Ashtabula Sentinel*. "By Saturday, the fog had cleared away to some extent, and matters have assumed a better shape." In those early days, some even claimed the incident would have positive consequences. The Democratic *Cincinnati Enquirer* wrote as soon as September 23 that the "financial panic in New York is practically ended. . . . The business of the country has only suffered a two-days' check which rose from timidity or uncertainty. . . . But the misfortune was not one of great magnitude—was, indeed, of

case on the National Bureau of Economic Research chronology of peaks and troughs, which relied heavily on price movements. This has been revised based on a new production index in Davis, "An Improved Annual Chronology."

[21]Robert A. Margo, "The Labor Force in the Nineteenth Century"; and Jeremy Atack, Fred Bateman, and William N. Parker, "The Farm, the Farmer, and the Market" in *The Cambridge Economic History of the United States*, eds. Engerman and Gallman, 2:207–84; Unger, *Greenback Era*, 226; Jeremy Atack, Susan Previant Lee, and Peter Passell, *A New Economic View of American History: From Colonial Times to 1940*, 2nd rev. ed. (New York, 1994); Herbert G. Gutman, "The Tompkins Square 'Riot' in New York City on January 13, 1874: A Re-Examination of Its Causes and Its Aftermath," *Labor History* 6:1 (1965): 44–70. Quotation from George T. Strong, *The Diary of George Templeton Strong*, eds. Allan Nevins and Milton Halsey Thomas (New York, 1952), 4:498.

[22]At least, that is how Irwin Unger perceived the initial response. Unger, *Greenback Era*, 213.

some public advantage. The railroad interests, so much of them as consist in nothing but credit, have received a needed admonition."[23]

Such optimism did not last, but those observations indicate how the political landscape shaped the reactions to the panic. Most read the panic in the light of the previous Black Friday: the Gold Corner of 1869, a speculative scheme led by financial buccaneers James Fisk and Jay Gould. Newspapers analyzed the event in the same perspective—it was a case of speculation on money gone wrong. Most observers expected a similar outcome: disagreeable, to be sure, but in the end rather innocuous. Similarly, because the crash involved a railroad company, many newspapers read the episode in the context of the political struggles that had been agitating the Midwest, and especially farmers, for several years, around the issue of railroad rate policies. For some, this all seemed a salutary check to the shady practices of the railroad barons.[24]

So the financial panic was not a bolt in a clear sky that sparked new thinking or changed people's worldview. On the contrary, because it came at a time when economic issues had been hotly debated for several years, it served only to confirm Americans in the opinions they had forged in the fires of political campaigns. By 1873, one issue dominated the conversation on political economy: the "money question."

Born of the Civil War, the money question had become the lightning rod of all economic debates. Certainly monetarists today would be happy to learn that, once upon a time, money was deemed the root of all economic policies. The issue revolved mostly around greenbacks, the non-convertible currency that the Union had created to finance the war and made legal tender. Many people were wary of such paper: Historical precedents in the Western world had invariably been disastrous. By the end of the war, almost everybody agreed that restoring convertibility between greenbacks and gold dollars—what was called "specie payments"—was the desirable goal. Immediately after the war, Secretary of the Treasury Hugh McCulloch started to aggressively retire greenbacks from circulation, but he soon met with mounting

[23] *Ashtabula Sentinel*, Sept. 25, 1873; *Cincinnati Enquirer*, Sept. 23, 1873. Such an outlook was not peculiar to Ohio; *Harper's Weekly* thought the new panic was less serious than the 1869 Gold Corner and believed it would serve as a useful lesson to all. "The Financial Outlook," *Harper's Weekly*, Sept. 27, 1873, 843.

[24] Maury Klein, *The Life and Legend of Jay Gould* (Baltimore, 1986), 65–210; Richard White, "Information, Markets, and Corruption: Transcontinental Railroads in the Gilded Age," *Journal of American History* 90 (June 2003): 19–43.

resistance. His timing was bad. The country was going through a brief recession as it was transitioning from a war to a peace economy, and the contraction McCulloch led intensified the slump. Maybe greenbacks were desirable after all; at least some congressmen opened the debate as soon as 1866. The following year, Ohio Democrats successfully seized the topic as an electoral weapon. Now, even though Reconstruction was center stage, the money question had captured the economic imagination of Americans.[25]

So heated was the debate that it crystallized into two clear-cut positions; one was either "soft-money" or "hard-money." Two main features explain this evolution: moralism and sectionalism. First, the debate was cast very early in terms barely more subtle than good versus evil. "As in every human nature it is said the angelic and the devilish constantly struggle for the mastery, so the Treasurer found there was a war in the members of the greenback," exclaimed one senator in 1870. "I think we shall all contemplate that the good triumphed over the bad," he then concluded, somewhat hastily.[26] Such a stark moralization is quite striking in a debate so technically complex and multi-layered, involving the problem of inflation versus contraction; the discrepancy between international trade (conducted in gold) and domestic trade (in greenbacks); the workings of the new national banking system; geographical gaps in interest rates, money supply, and credit availability; and the adverse consequences of speculation. In spite of that complexity, every aspect was politically subsumed into two positions set in morally absolute terms. On the one hand, advocates of the gold standard evoked the moral perils of paper money: Devoid of any "intrinsic value," it was the tool of men dishonorable enough to seek to evade paying their debts through inflation. On the other hand, defenders of greenbacks grounded their arguments in the new nationalism born in the war: It was, for them, a patriotic currency, a tool used to fight secession. It was also the money of the people, not of the bankers, well suited to the democratic character of the United States.[27]

The second feature of the money question was its sectional character. Very rapidly, the issue opposed midwesterners to northeasterners: Whereas the

[25]Robert P. Sharkey, *Money, Class, and Party: An Economic Study of Civil War and Reconstruction* (Baltimore, 1959); Unger, *Greenback Era*; Walter T. K. Nugent, *The Money Question during Reconstruction* (New York, 1967); Nugent, *Money and American Society*; Gretchen Ritter, *Goldbugs and Greenbacks: The Anti-Monopoly Tradition and the Politics of Finance in America* (New York, 1997).

[26]*Congressional Globe*, 41st Cong., 2nd sess. (Jan. 24, 1870), 702.

[27]The moral approach to the money question is at the crux of Walter Nugent's argument in *The Money Question during Reconstruction* and *Money and American Society*. On the role of Protestant clergymen, see Unger, *Greenback Era*, 120–31.

former started favoring an increase in the circulation of greenbacks, the latter advocated a forceful policy of contraction to return to specie payments. This sectional pattern is particularly striking as it divided both Republicans and Democrats, at a time when Reconstruction strongly polarized the parties. Built upon the ideological issues of slavery, states' rights, and the nation, the Civil War parties did not manage to effectively lock into positions on the money question. On the contrary, sections shaped the debate. Whatever the complexities of the political situation and the differences of opinion at the local level, the Midwest was identified as soft-money, and the Northeast as hard-money.[28]

At the local level, there was no unanimity on the issue: many midwesterners proved to be hard-money, whereas the Northeast had many soft-money proponents. However, everybody felt compelled to address the sectional dimension of money policies, and at the national level this translated into identifying each section as either soft-money or hard-money. Thus, the debate was not politically structured along party lines, but along sectional lines.

This sectionalization had a short but polarizing history by 1873. In several stages, the money question became more prominent and more disruptive to party politics. In 1867, Ohio Democrats started to use it as a political weapon against their state's Republicans. The "Ohio Idea," or "Pendleton Plan" as it was sometimes known, proposed paying off a portion of wartime bonds with paper money rather than gold or silver. The proposal helped Ohio Democrats win the state elections that year, but it soon divided the party nationally. New York Democrats, fearing a soft-money insurgency, maneuvered to make sure that a hard-money man would run as their presidential candidate in 1868—even though their candidate, Horatio Seymour, had a war record that made him a poor choice against Ulysses S. Grant.[29]

[28]On the sectional politics of the money question, Nicolas Barreyre, "Sectionalisme et politique aux États-Unis: le Midwest et la Reconstruction, 1865–1877" (PhD diss., EHESS, 2008), 97–159. The role of sectionalism in economic issues was studied by Howard K. Beale, *The Critical Year: A Study of Andrew Johnson and Reconstruction* (New York, 1930); but his particular analysis encountered considerable criticism after World War II. See, for example, Stanley Coben, "Northeastern Business and Radical Reconstruction: A Re-Examination," *Mississippi Valley Historical Review* 46 (June 1959): 67–70; and Sharkey, *Money, Class, and Party*. These scholars did not offer an alternative model of how sectional tensions shaped the money question. On the importance of sectionalism in American politics, see Richard Franklin Bensel, *Sectionalism and American Political Development: 1880–1980* (Madison, 1984).

[29]On George Pendleton's role in the "Ohio Idea," see Thomas S. Mach, *"Gentleman George" Hunt Pendleton: Party Politics and Ideological Identity in Nineteenth-Century America* (Kent, OH, 2007). On the presidential conventions of 1868, see John Hope Franklin, "Election of 1868," in *History of*

Republicans too were divided, and it took party leaders a lot of energy and skill to forge a compromise on the issue. The Public Credit Act of 1869, later touted as a hard-money pledge, was in fact the result of very difficult negotiations between hard-money, mostly northeastern, Republicans and their soft-money, mostly midwestern, colleagues. Neither faction was ever satisfied with it, however, nor was the issue settled.[30]

Such a history ensured that when Congress convened in December 1873, everybody analyzed the situation in light of the money question. Hard-money men explained that the panic had been brought on by the speculation encouraged by the gap in value between specie and greenbacks. They read the crisis as a worse repeat of the Gold Corner of 1869 and were convinced that all those disturbances would disappear once the dollar went back to the gold standard. To them, gold had a fixed, intrinsic value, and they believed that the problem of money supply would be automatically solved by the resumption of specie convertibility. On the other hand, soft-money men analyzed the panic as the result of a severe stringency of money: For them, the crisis would not have happened had the volume of currency not been kept excessively small. The money market was too tight each time cash was drained to the Midwest for moving the crops, and the bank failures could have been avoided if currency had been available for temporary loans to keep them afloat. It was not a matter of *too many* greenbacks, but *not enough* of them.

The Inflation Session

No new economic policy arose from the market crash. Congress merely replayed a drama rehearsed many times over the previous years. However, it entered into such a violent debate about money that the entire session was soon dubbed the "Inflation Session." Though no new argument emerged, the depression gave a new urgency to pre-existing political debates about the economy. In short, the various participants seemed suddenly to believe that the country could escape the crisis only if the money question was resolved, and the sides hardened their positions with renewed fervor.

The crisis was only partly responsible for the level of tensions in Congress, for its timing coincided with the reapportionment of the House of Representatives. The ninth census of 1870 had recorded the rapid

American Presidential Elections, 1789–1968, eds. Arthur M. Schlesinger Jr. and Fred L. Israel (New York, 1971), 1247–66.

[30]Sectional tensions are clearly visible in the congressional debates and votes. For a detailed analysis, Barreyre, "Sectionalisme et politique," 291–94.

demographic growth of the Midwest[31], now the most populous section of the country. In the 43rd Congress convening for the first time in December 1873, there would be more representatives from the Midwest than from any other section. Moreover, the new apportionment added fifty seats to the House, enlarging it by a fifth.[32] This had huge consequences for political debate. The slew of freshman representatives made the political dynamics of the House much more difficult to predict and to manage. Party leaders worried: "The panic is the all absorbing theme," wrote veteran Ohio Republican (and hard-money advocate) James Garfield, "and members are beginning to feel that it will extend itself far beyond its original boundaries. Congress will be a Babel of confusion on the questions of finance." He added, "So much depends upon the new members that no one can say what the outcome will be."[33]

Even more, an 1870 congressional battle virtually ensured that the money question would have been on the table in the 43rd Congress, even without the panic. Feeling short-changed by the weight of northeasterners on economic issues, several midwestern congressmen introduced in 1869 an amendment to the census law that would have reapportioned the House as soon as the 1870 elections. Northeasterners fought it for economic reasons: They feared that a more powerful midwestern group would succeed in passing soft-money policies, and they successfully delayed reapportionment until 1872. The measure would have been practically difficult to implement on the ground, but the congressional debates linked the new apportionment to the money question.[34] As the crisis shattered the uneasy compromise within the Republican Party, the new sectional balance of power in Congress explained much of the outcome of the debates.

These parliamentarian factors combined with the crisis to fire up Congress on the money question throughout the session. More than 2,000 bills related to currency matters were introduced in the first two months of the session. Debates were long, tense, and feverish. One observer calculated that they filled more than 1,700 columns of the *Congressional Record*. The mood

[31]The word "Midwest" is used here for clarity, even though it did not exist at the time. Contemporaries most often talked of the "(Old) Northwest" when referring to the states from Ohio to Kansas and Minnesota.

[32]Data from Kenneth C. Martis, Ruth Anderson Rowles, and Gyula Pauer, *Historical Atlas of Political Parties in the United States Congress, 1789–1989* (New York, 1989).

[33]James Garfield to William C. Howells, Nov. 15, 1873, and to Harmon Austin, Nov. 19, 1873, in vol. 14, ser. 6A, Garfield Papers, Library of Congress.

[34]Nicolas Barreyre, "Réunifier l'union: intégrer l'ouest à la Reconstruction américaine, 1870–1872," *Revue d'Histoire Moderne et Contemporaine* 49 (Oct.–Dec. 2002): 7–36.

was uncompromising. The many speeches—at least 125 of which were prepared, generally an indication they would be printed as pamphlets for the upcoming elections—expounded their views with quasi-religious fervor, and the votes showed the highest sectional tension Congress had known on the topic since the war.[35]

The hyperbolic tone of the debates was at odds with the modest proposal under discussion. The bill that finally passed Congress—stigmatized as the "Inflation Bill" by its adversaries—undertook to add only 64 million dollars to the currency volume already in circulation. A third of that amount had already been issued during the emergency of the panic, and most of the rest would be in national banknotes, not greenbacks. It is a sign of the passion of the debates that such a moderate measure could only pass by a strictly sectional vote: Midwesterners and southerners voted for it; members from the Northeast and the West Coast against it. Both parties were openly divided, and the uncompromising tone hinted that they had been brought dangerously near explosion.

Such tensions explain why the news of President Ulysses S. Grant's veto in April 1874 sent hard-money men into heights of rhetorical ecstasy, and their soft-money opponents into fits of rage. "The President's veto of the inflation bill is the most important event of his administration," wrote *Harper's Weekly* in its lead editorial. "It saves the national honor, it redeems the pledge of the great popular majority which elected him, it renews the hope of the Republican Party, and it restores the old regard of the country for the citizen whom it had so gladly honored for his great service in the field." So much was at stake, apparently. James Garfield even pronounced Grant "one of the luckiest men that ever sat in the Presidential Chair" just for having had the opportunity to veto this bill. Still, many others were shocked, especially in the Midwest. The *Cincinnati Trade List and Commerce Bulletin* warned that the "west and south have the means to ultimately command the situation by their overwhelming majority of voting population, and when the question comes to a decision by the people, they will scatter the dry bones of the Shylocks and sophists like chaff before an autumnal gale." Midwestern Republicans worried. "What does Grant mean?" one

[35]Charles Francis Adams Jr., "The Currency Debate of 1873–1874," *North American Review*, July 1874, 111–65; James A. Garfield, *The Diary of James A. Garfield*, eds. Harry James Brown and Frederick D. Williams (East Lansing, MI, 1967), 2:288. Roll-call analysis based on data compiled by Howard L. Rosenthal and Keith T. Poole, "United States ongressional Roll Call Voting Records, 1789–1990" (Ann Arbor, 2000), http://dx.doi.org/10.3886/ICPSR09822 (accessed Jan. 29, 2011).

asked. "Has he gone over to the enemy? Does he wish to break up the Republican party by his infernal veto?"[36]

This, indeed, was a question on every Republican leader's mind. Even though some, like Speaker of the House James Blaine or Senate Finance Committee Chairman John Sherman, were quite pleased that any possibility of an inflationary measure had been killed by the veto, they scrambled to hold their party together, cajoling and threatening to keep everybody within the fold. Four prominent senators—Oliver Morton of Indiana, John Logan of Illinois, Thomas Ferry of Michigan, and Simon Cameron of Pennsylvania—had planned to publish an open rebuke of Grant's action, and it took much persuasion to stop them. After two months of haggling, Congress finally passed—and Grant signed—a law acknowledging the 26 million dollars of greenbacks that the secretary of the treasury (with Grant's blessing) had issued in the emergency of the panic and authorizing some redistribution of national bank capital from New York and New England to the rest of the country. A result so small, so close to the status quo after such an epic battle, so "ludicrously trivial" as one historian put it, left everybody utterly unsatisfied. It had barely prevented the Republican Party from exploding but had set the party up for the most disastrous electoral defeat of its twenty-year history.[37]

A Partial Political Realignment

"Yesterday's election was a Waterloo or Sedan to the Republicans. Total rout, North and South," wrote George T. Strong in his diary in November 1874, drawing a parallel with the battles that brought down both Napoleons.[38] The drop in Republican fortunes was indeed spectacular. In the House, they went from a 70 percent majority to a 37 percent minority. They kept a majority of seats only in 12 of the 37 states, saving New England but losing key midwestern states such as Illinois, Indiana, and Ohio and losing all but South Carolina in the South. Gubernatorial elections were just as discouraging, as Democrats won California, Missouri, New Jersey, New York, and even Massachusetts.[39]

[36] "The Veto," *Harper's Weekly*, May 9, 1874, 390; James Garfield to Burke Hinsdale, Apr. 23, 1874, vol. 16, ser. 6A, Garfield Papers; *Cincinnati Trade List and Commerce Bulletin*, reprinted in *Jonesboro (IL) Gazette*, May 16, 1874; John Deweese to John Logan, Apr. 24, 1874, box 2, Logan Papers, Library of Congress.

[37] Terry L. Seip, *The South Returns to Congress: Men, Economic Measures, and Intersectional Relationships, 1868–1879* (Baton Rouge, 1983), 189–93; Unger, *Greenback Era*, 244–48, quotation 246.

[38] Strong, *Diary*, Nov. 4, 1874, 4:541.

[39] Edward McPherson, *A Hand-Book of Politics for 1876: Being a Record of Important Political Action,*

It is always difficult to gauge what motivates voters to choose one candidate, or one party, over the other. This is especially so for the nineteenth century, which left no opinion polls.[40] Nevertheless, many clues point to the importance of the money question in those dramatic results. A recent study of the 1874 election in Indiana shows that economic factors correlated best with the Democratic vote, suggesting that economic issues turned this competitive state into a solidly Democratic one.[41] In the North at large, Republican voters seemed to have stayed home rather than change party allegiance.[42] Most party leaders agreed that the money question was one of the main reasons for their defeat. "The [temperance] 'crusade' and the inflation nonsense were the chief factors in our disaster," wrote one Republican strategist with regard to Ohio. Many across the North reached the same conclusion: "The financial settlement cannot be postponed until after another Presidential election, neither party will be in shape to then win the battle."[43]

Economic crises are commonly said to be bad for parties in power. There is statistical truth in this. The proposition is too general, however, to have much analytical power. The 1874 election affords more detailed insights. Republicans paid dearly less for the crisis itself than for their inability to take positive action to remedy either the economic crisis or the situation that had triggered it. After months of debates in Congress had raised the hopes of many, especially in the Midwest and the South, the veto had dashed them. There, Republican candidates and newspapers were particularly on the defensive, scrambling to justify the veto and to rebuke Democratic accusations that Grant had sold out to rich northeastern interests, assertions given credence by the many corruption scandals that plagued his administration.[44]

National and State, from July 15, 1874 to July 15, 1876, 6th ed. (Washington, 1876), 255; Donald, Baker, and Holt, *The Civil War and Reconstruction*, 628; Martis, Rowles, and Pauer, *Historical Atlas of Political Parties*.

[40]Other elements in the voting process should make us wary of overinterpreting election results: see Richard Franklin Bensel, *The American Ballot Box in the Mid-Nineteenth Century* (Cambridge, 2004).

[41]Samuel DeCanio, "Religion and Nineteenth-Century Voting Behavior: A New Look at Some Old Data," *Journal of Politics* 69 (May 2007): 339–50.

[42]Paul Kleppner, *The Third Electoral System: Parties, Voters and Political Cultures, 1853–1892* (Chapel Hill, 1979), 126–28.

[43]J. I. Smith to John Sherman, Oct. 22, 1874, vol. 128, Sherman Papers, Library of Congress. The temperance issue on the 1874 ballot was a local matter in Ohio. *Utica (NY) Herald*, quoted in *Alton (IL) Telegraph*, Nov. 19, 1874. Here, my conclusion directly contradicts Gillette, *Retreat from Reconstruction*, 236–58.

[44]On those scandals, Mark W. Summers, *The Era of Good Stealings* (Oxford, 1993); Margaret Susan Thompson, *The "Spider Web": Congress and Lobbying in the Age of Grant* (Ithaca, 1985).

In the South, moreover, the veto deprived local Republicans of the only viable political platform they had: forward-looking economic policies. The financial panic and the railroad failures hit southern state treasuries hard, because they had heavily invested in railroad construction as an economic stimulus. Now Republicans could no longer claim that they could improve the South's economic situation through influence on federal policies or access to northern credit. To many, the veto had proven that northeasterners would have their way, whatever party southerners voted for. This left southern Republicans particularly vulnerable to the vicious race-baiting of the Democrats. Moreover, the Civil Rights bill then moving through Congress made things even worse politically. This homage to the recently deceased Massachusetts senator Charles Sumner would ban all kinds of racial segregation, including in cemeteries and schools. Above all, the Civil Rights bill was a Republican attempt to unite their badly divided party around Reconstruction issues, a strategy that had worked in the past. Although the bill failed to mobilize Republican voters in the North, it fueled the racist tactics of the Democrats in the South.[45]

Thus, the political effect of the crisis, in terms of balance of power between the two parties, was in a large part due to the kind of political response parties were able to muster. This, in turn, was a legacy of the money question debate, which had developed into a highly charged sectional issue. The deeply unsatisfactory outcome of the debates, for all involved, left the Republican Party at the brink of explosion and led it to a severe electoral defeat in 1874, handing the House majority to Democrats for the first time since 1861. The Democrats were not more united on the issue, however, and they would rapidly pay for those divisions in the following months.

Conversely, the long acrimonious debates in Congress focused public attention on the money question, making it the common lightning rod of all economic discontent. Money issues became a major concern of the Granges, which were already political forces in the midwestern states. Hitherto, the post-war farmers' movements had been more concerned with railroad regulation than currency. The crisis and the debates on the money question pushed the Grangers toward that issue, although some hesitated to be distracted from the railroad problem. The turmoil over money accelerated the agrarians' conversion from bullionism to greenbackism. This shift

[45]Barreyre, "Réunifier l'union"; Donald, Baker, and Holt, *The Civil War and Reconstruction*, 623–26; Gillette, *Retreat from Reconstruction*, 190–210. On Republican economic policies in the South, Mark W. Summers, *Railroads, Reconstruction, and the Gospel of Prosperity: Aid under the Radical Republicans, 1865–1877* (Princeton, 1984).

had started before the panic, especially in Illinois where farmers had merged to some degree into a wider antimonopolist movement.[46] The frustrating outcome of the congressional session, moreover, fueled an insurgent trend to create third parties. For some observers, Republicans seemed incapable of strong leadership on economic issues. Democrats appeared equally divided, with a powerful southern wing more interested in overturning Reconstruction than dealing with economic problems. These observers concluded that they would have to create a new party around their priorities. In 1874, Republicans and Democrats were intensely worried that the rapidly growing Granges would do just that, and the sighs of relief were all too apparent when the farmers' organization resolved not to do so that year. Nevertheless, the Grangers' new support for greenbacks was a crucial factor in the creation of a Greenback Party in November.[47]

The consequences of a focus on the money question, however, reached even further: It helped Democrats reconquer the South. As pointed out earlier, the crisis deprived southern Republicans of their economic platforms, leaving them vulnerable to race-baiting as Democrats successfully identified themselves as "the white man's party." Nationally, the money question eroded Republican support for Reconstruction. Even though most southern Democrats supported a new greenback issue, the southern branch of the party presented their revolt against southern Republican governments as a matter of fiscal responsibility. They cast southern Republicans' investments in railroads as fiscal failures, just as irresponsible as the inflationary policies that northeastern, hard-money Republicans railed against. Southern Democrats' biased descriptions of southern blacks also came to resonate more and more with northern elites' fears of discontented workers. The crisis had not created workers' unrest and activism, but it certainly fueled it. So soon after the Paris Commune, such agitation frightened many, as the Tompkins Square riot proved. The Liberal Republican movement of 1871–72 had already shown that northeastern elite intellectuals sought a more stable social order (with people like themselves at the top). However, humiliating electoral defeat in 1872 had put some of their arguments to rest, until the economic crisis reinvigorated them. Their idea that it was

[46]On the economic background of the farmers' revolt, Atack, Bateman, and Parker, "The Farm, the Farmer, and the Market"; Robert Higgs, *The Transformation of the American Economy, 1865–1914: An Essay in Interpretation* (New York, 1971). On the Granges, George H. Miller, *Railroads and the Granger Laws* (Madison, 1971); Ritter, *Goldbugs and Greenbacks*, 123–36; Unger, *Greenback Era*, 195–233.

[47]This was true of both Republicans and Democrats. See for instance *Quincy (Illinois) Whig*, Feb. 12, 1874; *Joliet Republican*, Jan. 24, 1874; *Cincinnati Enquirer*, Jan. 5, 1874; James A. Garfield to Enos P. Brainerd, Feb. 9, 1874, vol. 15, ser. 6A, Garfield Papers.

time to finish Reconstruction and give the direction of the country to its natural elite furthered northern acquiescence to the violent conquest of power by Democratic planters in the South. Southern blacks and northern discontented workers came to be viewed as one dangerous group whose political power meant trouble.[48]

Still, this general shift in political thinking cannot be understood outside specific political events. The Inflation Session and its failure led to a Republican defeat in the North, a defeat tied to the money question. The Republican attempt once again to mend their divisions with a Reconstruction measure, the Civil Rights bill, fueled racial fears and violence in the South and compounded a Republican defeat there. The new Democratic majority in the House ensured that no new Reconstruction measure could pass the next Congress. It was this course of events that convinced more and more Republicans in the North that Reconstruction had become a hopeless political ground. They had to find a new economic stand less divisive within the party. That was the significance of the hard-won compromise Republicans reached in the lame-duck session: enacting the Civil Rights Act as the final Reconstruction measure (it would, indeed, be its last law) and forging the Specie Resumption Act. This bill was not the triumph of hard-money as it has often been presented, but a compromise between the different factions of the Republican Party on the issue.[49]

Thus, in many ways, the 1873 crisis ended Reconstruction not so much because northerners had other things in mind (although shifting priorities did play a role), but because Republicans translated the crisis into the money question and proved utterly unable to convince voters they were doing anything meaningful to solve the problem. The result was a Democratic majority in the House that would block all legislation on Reconstruction and a shift in Republican strategy away from Reconstruction as a goal. The compromise forged in the lame-duck session of 1874–75 was fragile—no real consensus existed—but the recent electoral backlash had taught most Republicans that holding on to it might be their only way to political survival.

[48]Foner, *Reconstruction*, 512–24; Michael E. McGerr, "The Meaning of Liberal Republicanism: The Case of Ohio," *Civil War History* 28 (Dec. 1982): 307–23; Perman, *Road to Redemption*; Richardson, *Death of Reconstruction*; John G. Sproat, *"The Best Men": Liberal Reformers in the Gilded Age* (Oxford, 1968); Philip Mark Katz, *From Appomattox to Montmartre: Americans and the Paris Commune* (Cambridge, MA, 1998).

[49]Barreyre, "Sectionalisme et politique", 395–400; Unger, *Greenback Era*, 249–63; Allen Weinstein, *Prelude to Populism: Origins of the Silver Issue, 1867–1878* (New Haven, 1970), 33–52.

Recently, one historian persuasively contended that what is truly astonishing about the controversial election of 1876 is the extraordinary "Republican comeback in the North in the midst of a continuing depression."[50] In fact, much of the two years leading to it was a direct consequence of the early *political* response to the financial panic and economic crisis. Democrats were now more divided on the money question than Republicans, who kept to their new compromise. Moreover, the appearance of the silver issue further complicated the problem.[51] So divided were the Democrats on the money question and so electorally squeamish were the Republicans about it that both parties tried to avoid it in 1876. Instead, they studiously looked for other campaign issues: Republicans fell back to waving the bloody shirt; Democrats took up "reform." Nevertheless, having earlier identified the depression with the money question, the parties failed to escape it. The result was such a close election that it triggered a three-month political crisis. Republican Rutherford Hayes finally acceded to the White House but let Louisiana, Florida, and South Carolina fall into Democratic hands.[52]

The 1876 election sealed a partial political realignment that had started two years earlier and opened a two-decade period of highly competitive politics. Nationally, both parties were extremely close, and federal power constantly changed hands during that time. From 1875 to 1897, the same party had clear control of the presidency and both houses of Congress for only four years: the Republicans from 1889–91 and the Democrats from 1893–95. This competitiveness was largely a consequence of the crisis. However, the tough economic conditions did not simply push suffering voters to vote out the party in power, nor did it merely distract northerners from Reconstruction issues, as has often been written in very general terms. Rather, the Republican Party's *response* to the crisis, conditioned by several years of tense debates around the money question, almost fatally divided Republicans, catalyzing a series of electoral setbacks. At a crucial turning point, they were impotent in attempting to preserve Reconstruction in the South, although they would continue to wave the bloody shirt for several years. The Republican Party's retreat from the South, along with challenges to it from third parties (especially the Greenback Party) sprung from the Republicans' inability to act on economic problems in a way that ensured

[50]Holt, *By One Vote*, xiii.

[51]Silver had been demonetized in early 1873, although most people had not noticed. This only became a political issue in 1876. Weinstein, *Prelude to Populism*, 8–32.

[52]Keith Ian Polakoff, *The Politics of Inertia: The Election of 1876 and the End of Reconstruction* (Baton Rouge, 1973); Holt, *By One Vote*; Barreyre, "Sectionalisme et politique," 415–32.

the loyalty of its electoral base. Therefore, the economic crisis that started in 1873 translated into a shift to a political landscape of highly competitive parties, creating both instability of power and inertia of policy.

The 1873 panic, like any economic event of such magnitude, was a particularly potent *political* phenomenon. To understand its impact, historians need to go beyond the basic fact that many lives were upended by financial catastrophe. For politics informed the way Americans viewed the crisis, how they tried to tackle it, and why they largely failed. To understand how the long-term effects of the crisis reshaped society and politics as well as the economy, we need to analyze how the economic event was *embedded* in a political structure and political processes in what I term the "politics of the 1873 crisis."

Importantly, the crisis was not a *break* in political history, as nothing new emerged from it: no new political idea, no new political phenomenon. This probably partly explains why so many historians have passed over the event and rarely choose 1873 as a significant chronological turn in their studies. However, the crisis did have a large impact on national and state politics. The political consequences of the crisis can be subdivided into three interrelated processes: sorting, exacerbating, and catalyzing.

Above all, the panic dramatically sorted among political issues. Before it occurred, the money question was already among the main topics on the political agenda. Suddenly, however, all other questions, including some other prominent economic issues such as the tariff, were pushed from the limelight. This sorting was linked to the way Americans understood the crisis, an understanding grounded in past debates (and notably, the reaction to the Gold Corner of 1869). Interestingly, the crisis did not promote any new ideas but rather reaffirmed old perspectives. Because in 1873 the money question was still an unresolved issue, both sides saw in the market crash a validation of their position. The economic disaster did not spark fresh thinking, but hardened old thinking.

Therefore, the crisis exacerbated political divisions on the money question even as it sorted the issue above all others. The dire economic and social situation gave a new urgency to political debates, and this life-or-death atmosphere led politicians to unyielding, uncompromising stances. Tellingly, Republicans failed to do what they had repeatedly managed in the past: to use Reconstruction to strengthen party unity and leverage a compromise, however uneasy, on economic issues. Instead, their divisions now lay bare, especially after Grant's veto. Democrats were no less divided on the topic, however, as the following two years proved. The 1874 election frightened Republicans into a compromise they held onto afterwards; Democrats could not agree. However, the exacerbating effect of the crisis could also be felt in the South. There, it fueled the pre-existing electoral strategy of race-baiting, further marginalizing the more moderate Democrats already badly hurt by the failure of their centrist strategy in the 1872 elections. Again, uncompromising positions prevailed.[53]

Shifting political priorities and radicalizing positions combined into a third pattern: catalyzing a partial realignment. For some time now, many political observers had predicted a reconfiguration of parties: After Reconstruction settled the Civil War issues, both parties born (or revamped) in the 1850s would lose their *raison d'être*, with new parties bound to emerge.[54] Signs already abounded before the panic, and the Liberal Republican movement was a conscious attempt to trigger such a realignment. Still, the 1872 election had mostly proved that Liberals had little traction in the electorate and that both parties retained the allegiance of voters along the same lines as they had since the beginning of the Civil War. It took the crisis to trigger a reconfiguration: by sorting between the old political issues (rather than creating new ones) and by giving a magnified sense of urgency to them, the panic shook enough people from their habitual allegiances. It therefore created the conditions necessary to bring about a realignment many had predicted.

Nevertheless, the reconfiguration did not quite look like what people had anticipated. Observers of politics, along with many politicians, had imagined that realignment would clarify the positions of both parties on economic issues. It did not. The 1876 electoral mess quite dramatically exemplified the new partisan balance it ushered in. Republicans retreated from the South but regained much of the ground they had lost in the North two years earlier; there, insurgent third parties shaved some voters from both parties. The realignment had only been partial, and no party could clearly dominate the political stage. That situation would only end with another spectacular election, also in the midst of an economic crisis: 1896.

[53]On the marginalization of moderate Democrats in the South, which to be sure started before the crisis, Perman, *Road to Redemption*, 135–48.

[54]On the sense that parties felt precarious for many politicians, Michael F. Holt, "Change and Continuity in the Party Period: The Substance and Structure of American Politics, 1835–1885" in *Contesting Democracy: Substance and Structure in American Political History, 1775–2000*, eds. Byron E. Shafer and Anthony J. Badger (Lawrence, KS, 2001), 93–115.