

# **Chester Arthur and Presidential Leadership during the Recession of 1882-1885**

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## **ABSTRACT**

Does the presidency matter for the nation's short-run economic performance? If so, then by which mechanisms? To better answer these questions, this paper investigates one of least effective cases of presidential leadership in US history. President Chester Arthur's economy suffered a deep recession that lasted three years. Arthur and the federal government had the means by which to mitigate this economic debacle. Arthur himself suggested many legislative solutions. But he did so only rarely and he never followed up with any sort of action, campaign, effort to organize, or pressure upon Congress. Instead, he stood by as the economy toppled. Chester Arthur not only failed to act to address the economic downturn of 1882-1885; as president, he generally failed to act at all. Arthur's major presidential efforts during his three-and-a-half-year administration took the form, not of executive or political action, but of a dozen public statements or speeches and twelve vetoes, mostly pocket vetoes. This paper investigates how and why Arthur failed to act. This rarely studied case of failure contributes to theories of presidential leadership.

## *Introduction*

Chester A. Arthur (1881-1885) oversaw an economic disaster. His was one of the worst performing economies of any American president.<sup>1</sup> Almost immediately after he entered office, the country sank into a now forgotten “smoldering” depression that dragged on for four years.<sup>2</sup> At first, only Wall Street noticed. Stocks had been in the doldrums since the shooting of President Garfield. Then, soon after he died, the stock market fell into a slump that lasted almost Arthur’s entire term. Industrial production also began to slide in autumn 1881. Agricultural crops soon followed, descending into a deep and prolonged downturn. Thus the entire economy sagged throughout 1882-1883. The climactic paroxysm came in mid-1884, when the nation’s financial system was thrown into a massive banking crisis. Thereafter severe deflation ensued. As the economy shrank and unemployment surged, labor unrest began anew. Both trade and the trade surplus fell drastically, as did the federal surplus. Immigration also dropped precipitously, while emigration more than doubled. Perhaps the only bright spot was the federal debt, which continued its steady march downwards commenced at the end of the Civil War. But the overall economy would not recover until months after Arthur left office.

President Arthur did little, despite the resources at his disposal. The federal government had the means by which to avoid the 1881-1885 depression and the financial panic it produced. The US Treasury was flush with cash at the time, collecting in tax and tariff revenues far more than it spent. Although countercyclical fiscal policy and the welfare state were considered eccentric concepts during the Gilded Age, other government solutions were available. The federal surplus could have been distributed to the state governments, used on infrastructure projects, spent to pay down state debts, offered as pensions to veterans, or ladled out as pork. Tariffs could have been cut. Even more potent would have been a decisive move on monetary policy. Each of these actions was well within the historical experience and political acceptability of the 1880s. In fact, Arthur himself suggested many of these ideas to Congress. But he did so only rarely. And he never followed up with any sort of action, campaign, effort to organize, or pressure

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<sup>1</sup> Even Friedman and Schwartz have described the 1881-1885 economic slump as “unusually long and fairly severe”. Friedman Milton and Anna Jacobson Schwartz. 1963. *A Monetary History of the United States, 1867-1960*. Princeton, NJ: Princeton University Press: 92.

<sup>2</sup> “Smoldering depression” is not an historical term, but one employed by the author.

on Congress. Instead, he stood by as the economy toppled. As unemployment and business failures mounted, Arthur spent lavishly on himself, and on transforming the White House into a fabulous social hub. Or he appeared to fall back into unseemly meddling in state and party machine politics. Where possible, he mostly just ignored the presidency. Hence, most in Congress, and even the executive branch itself, felt comfortable ignoring him. The American public too had little regard for Arthur. Consequently, after years of economic decline, he was largely rejected by the Republican party, and the country, in his 1884 re-nomination bid.

### *Background*

Chester A. Arthur was born in 1829, in New England, the son of a fire-and-brimstone Baptist preacher. After wandering the region for a decade, the family settled in upstate New York. Their large household, with eight children, was rambunctious but rigid, and never far from poverty.<sup>3</sup> Over time, Arthur grew tired of his father's "self-righteousness and unwavering faith" and eschewed the church, eventually resulting in a lifelong breach with his parents.<sup>4</sup> In the meantime, he attended the prestigious Union College in Schenectady, New York. There he was a top student, graduating with near perfect grades.<sup>5</sup> Arthur rejected the budding science and engineering programs at Union, and instead opted for the standard undergraduate curriculum of Greek, Latin, and ancient classics. Hence he received only marginal education in political-economy. After leaving college, he taught school and studied law in upstate New York. At the age of 25, he moved to New York City where he worked at a law firm and lived a somewhat dull and isolated life. "[I] have worked pretty hard," he wrote in missives to his family, "but aside from business...I feel the want of near and dear friends".<sup>6</sup> He also became a dedicated abolitionist, even travelling to Kansas in 1856 to fight the legalization of slavery there.

Politically aware since his teenage years, Arthur became an activist within the newly formed Republican Party in New York City. There he found the camaraderie and excitement he had longed for.

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<sup>3</sup> Reeves, Thomas C. 1975. *Gentleman Boss: The Life of Chester Alan Arthur*. New York: Knopf: 5.

<sup>4</sup> Greenberger, Scott. 2017. *The Unexpected President: The Life and Times of Chester A. Arthur*. New York: DeCapo Press: 15.

<sup>5</sup> Greenberger, 2017. Though years later, associates of Arthur would generally describe him as "never brilliant and in no way intellectual". Quoted in Reeves, 1975: 41.

<sup>6</sup> CAA. 1855. Letter to Annie Arthur (March 11). Quoted in Greenberger, 2017: 24-25.

He became close to his state's Republican governor, who appointed Arthur as New York's chief engineer, and later Quartermaster General, during the Civil War. This gave Arthur responsibility for an enormous amount of war materiel and finance, and experience with the power and influence that came with them. Arthur's wartime performance was exemplary. The governor applauded his "unbending integrity, [and] great knowledge...[Arthur] can say No (which is important) without giving offence."<sup>7</sup> Fellow officers too remembered Arthur as having "showed unusual executive ability", despite the fact that he never saw combat and only once visited the front.<sup>8</sup> After the war, Arthur drew upon his experiences with the Union Army, as well as his considerable network of friends and business partners gained during the war, to further build the Republican Party in New York.

Arthur loved the workings of the political machine, and delighted in mastering them. "His specialty was to be the science of gaining political office" writes one biographer.<sup>9</sup> More specifically, Arthur's expertise was in financial collections, winning elections for his party and faction, and then doling out the appointments, jobs, and government contracts that flowed from electoral victories.<sup>10</sup> Power, money, and status were the main objectives, not policy. He aspired that "the whole [Republican] party machinery could be consolidated, unified and concentrated for any purpose...[to] make the party so compact and disciplined as to be practically invincible."<sup>11</sup> His party bosses agreed and supported him enthusiastically.

Gilded Age spoilsmen are often stereotyped as gangsters and street-toughs, but Arthur was no back-alley lowlife. He was a "jolly fellow" who wore the latest London fashions, and preferred fine food, good cigars, and French spirits.<sup>12</sup> "[H]e loved the pleasures of the table...and could carry a great deal of wine and liquor" recalled a former crony, who also noted that Arthur was "much addicted to the game of

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<sup>7</sup> Burt, Silas. *Military History of the State of New York*: 145; Morgan, Edward. 1881. (December 1). Quoted in Reeves, 1975: 30.

<sup>8</sup> Reeves, 1975.

<sup>9</sup> Reeves, 1975: 39

<sup>10</sup> "Assessments" might be voluntary or involuntary contributions regularly demanded of those men who gained employment via partisan activities. See Hoogenboom, Ari Arthur. 1961. *Outlawing the Spoils: A History of the Civil Service Reform Movement, 1865-1883*. Urbana, IL: University of Illinois Press; Summers, Mark W. 1993. *The Era of Good Stealings*. New York: Oxford University Press.

<sup>11</sup> CAA. Quoted in Greenberger, 2017: 77.

<sup>12</sup> Burt, Silas. 1886. (December). Silas Burt Papers. New York Public Library. Box 1, p 154.

‘poker’”.<sup>13</sup> Arthur especially thrived on the social aspects of the political machine. “[H]e was good company; cheery and buoyant in spirit, full of talk and anecdote” remembered a friend.<sup>14</sup> Thus, as he grew into a powerful party elite, he became known as “The Gentleman Boss” for his aristocratic tastes and manners. However, he abhorred the limelight. Arthur shunned elected office and avoided the soapbox. Instead, he preferred to hold court behind the closed doors of Delmonico’s Restaurant or conduct deals in the privacy of the Fifth Avenue Hotel, which together became his *de facto* offices and the centers of New York City politics.

Over time, Arthur rose to become a powerful lieutenant in the New York Republican faction loyal to Ulysses S. Grant, and led by the powerful and ostentatious Senator Roscoe Conkling (R-NY). Conkling’s faction stood “stalwart” against any attempts to reform the corrupt and inefficient political-machine system. Their main opposition within the Republican party was the “Half-Breed” faction, so named because they “were half-loyal to Grant and patronage, half-loyal to reforming it all, and fully loyal to none.”<sup>15</sup> Arthur skillfully battled the “Half-Breeds” on behalf of Conkling, and fought the Democrats on behalf of his party. For his loyalty and finesse, in late 1871, Arthur was rewarded with appointment as the federal Collector of the Port of New York. It was “the largest single federal office in the nation [and also] the greatest single source of patronage.”<sup>16</sup> It also paid handsomely.<sup>17</sup> There, protected by President Grant and at the behest of Senator Conkling, Arthur oversaw 75 percent of all federal customs duties and several hundred federal jobs. For the next seven years, Arthur and Conkling wielded their power to divert vast sums of money, and swing scores of elections, to the Republican party. Their misconduct became legendary. Thus, soon after the reform-minded Rutherford B. Hayes was inaugurated president (1877-1881), Arthur was investigated and eventually ousted from the New York Customs House in 1878.

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<sup>13</sup> Silas Burt. Quoted in Reeves, 1975: 33; Greenberger 2017: 81

<sup>14</sup> Adam Badeau. Quoted in Reeves: 41.

<sup>15</sup> Karabell, Zachary. 2004. *Chester Alan Arthur*. New York: Henry Holt and Company: 19.

<sup>16</sup> Reeves 1975: 62

<sup>17</sup> A friend and colleague estimated that in just “two and a half years...[Arthur] received as his share [of moieties and perquisites] \$90,802.74 in addition to his salary of \$6,000 for annum. He also received a commission for collecting the official fees of certain State officials...which netted him about \$4,000 per annum...” Burt, Silas. 1886. (December). Silas Burt Papers. New York Public Library. Box 1, pp 49-50.

Arthur was therefore an unexpected selection for Vice President in 1880. He barely knew the Republican presidential nominee, James A. Garfield, and spoke with him little during or after the campaign. Arthur was a compromise candidate chosen to guarantee the New York swing-vote in a close election. He campaigned energetically and well that year, winning pivotal support for Republicans.<sup>18</sup> But to anti-corruption reformers, Arthur's nomination was "a miserable farce", a manifestation of "the cowardice and infirmity of principle" that plagued the Republican party.<sup>19</sup> The *Chicago Tribune* called it "a mistake" and "ill-advised", like putting a fox in charge of the hen house.<sup>20</sup> The editors of *The Nation* dismissed such concerns, assuring their readers that "...there is no place in which [Arthur's] powers of mischief will be so small as in the Vice Presidency", while insisting that the premature death of President Garfield was "too unlikely a contingency".<sup>21</sup>

After winning the 1880 election, Vice President-elect Arthur set to work dividing up the spoils: cabinet positions, Senate seats,<sup>22</sup> postmaster-ships, diplomatic slots, and tens of thousands of appointments across the Federal government. Arthur stuck close to his faction boss, Senator Conkling, during this period and many questioned anew his fitness for the Vice Presidency. Obviously, Arthur viewed members of his own Stalwart faction as first in line for the best positions. But this put him into conflict with President Garfield, who both sought to be independent of any outside influence, yet also win allies and repay favors of his own. Arthur was seen openly collaborating with his Senate allies against President Garfield on several occasions. He also made indelicate remarks in front of reporters about vote-buying during the presidential election.<sup>23</sup> Arthur's blatant scheming was blasted in the press as "reprehensible and disgusting" and "a gross lapse of dignity [worthy of] public contempt".<sup>24</sup> He was

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<sup>18</sup> Reeves 1975.

<sup>19</sup> Norton, Charles Elliot. (Massachusetts author and social commentator). Quoted in Karabell, p. 42); Smith, William Henry (Ohio politician and reformer). 1880. Letter to Rutherford Hayes (June 15)

<sup>20</sup> *Chicago Daily Tribune*. 1880. (June 9)

<sup>21</sup> Reeves 1975: 183.

<sup>22</sup> During the Gilded Age, Senators were chosen by state legislatures, at the behest of the state political machines. Only after the passage of the 17<sup>th</sup> amendment to the Constitution in 1913 were Senators chosen by popular vote.

<sup>23</sup> *New York Times* 1881. (February 12).

<sup>24</sup> *Evening Journal* 1881 (April 8) quoted in Reeves, 1975: 226; *New York Tribune*. 1881. (May 26) quoted in Greenberger 2017: 144

widely considered to be the most disloyal Vice President since John Calhoun's betrayal of Andrew Jackson in 1832.<sup>25</sup>

Ultimately this partisan infighting resulted in both Garfield's triumph and assassination. First, Arthur's Stalwart allies in the Senate attempted to embarrass and undermine Garfield through elaborate schemes. But their plans backfired. After much drama, the Stalwarts were left without their most powerful Senate leaders, and Garfield was free to select his own appointees.<sup>26</sup> However, it was a Pyrrhic victory. During Garfield's battle with the Stalwarts, a deluded office-seeker, believing himself to be wrongly denied an ambassadorship, shot Garfield at a train station, and then proudly declared "I did it...I am a Stalwart, and Arthur will be President."<sup>27</sup>

Most Americans now expected the presidency to pass directly under the control of the party bosses whom Arthur had long served. "Conkling will 'run' the government [just] as he has long run the 'Machine'" predicted the *Nation*.<sup>28</sup> The *Chicago Tribune* agreed, calling Arthur's succession a "calamity of the utmost magnitude".<sup>29</sup> Certainly when Arthur gathered his advisors for guidance, they were a collection of faction loyalists and Stalwart leaders. Over the next eleven weeks, they strategized while Garfield lay dying. For while the White House would soon be Arthur's, the future of the Stalwarts remained in question. Neither the press nor the public blamed Arthur for the assassination, but they feared the corrupt patronage system which he had helped to build and upon which he thrived.

#### *Arthur's Vision*

Chester A. Arthur was almost completely devoid of any policy agenda or vision for the country when he entered the presidency. He cared little for public policy or economics. For decades, his portfolio had been that of a state and local party operative, happy to adopt the policy views of his superiors. In fact,

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<sup>25</sup> Karabell 2004: 58.

<sup>26</sup> Senators Roscoe Conkling and Thomas Platt, both Stalwart Republicans, resigned their Senate seats in mid-May 1881 in protest over Garfield's federal appointments within their state. Their plan was for the New York state legislature to quickly reappoint them to the US Senate in a public show of defiance against Garfield. This failed to occur, effectively ending Conkling's political career, and severely weakening the Stalwart faction. See Jordan, David M. 1971. *Roscoe Conkling of New York: Voice in the Senate*. Ithaca, NY: Cornell University Press.

<sup>27</sup> Guiteau, Charles. 1881. (July 2). Quoted in *New York Times* 1881. (July 3).

<sup>28</sup> *Nation*. 1881. (July 7).

<sup>29</sup> *Chicago Tribune*. 1881. (July 3).

even with twenty-five years of politics under his belt, Arthur's *first* public statement on national issues was his letter accepting his nomination as Vice President in 1880. And this mostly just paraphrased the already established Republican platform. In it, he stated unsurprisingly that "[t]here must be no deteriorated coin, no depreciated paper. And every dollar...should stand the test of the world's fixed [gold] standard." He supported public education. He advocated protective tariffs to "enable our manufacturers and artisans to compete successfully with those of other lands." He backed federal aid for national infrastructure, especially rivers and harbors. Perhaps the only hint of Arthur's own influence on the document was his *dis*-approval of civil service reform, which threatened the political machine upon which Arthur's wealth and power was based.<sup>30</sup> Arthur was also rudderless on the great North-South divide that still vexed the country. And despite his record as a former integrationist, he provided little direction on African-American rights in the ex-Confederacy.<sup>31</sup> This was shockingly weak policy coming from the leader of the party of Abraham Lincoln, and barely twenty years after the Emancipation Proclamation.

Nor did Arthur have any philosophy of the presidency or how to use it. He had never sought elected office of any sort, much less the White House. In fact, Arthur appears to have accepted the Vice Presidency out of vanity rather than political ambition.<sup>32</sup> And as president, he appears to have disliked and evaded the job whenever possible, often leaving controversial decisions to his cabinet or Congress.

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<sup>30</sup> Arthur, Chester A. 1880. Letter Accepting the Republican Nomination for Vice President (July 15).

<sup>31</sup> Greenberger, 2017.

<sup>32</sup> When nominated for the ticket, Arthur had immediately sought the approval of Conkling, who bluntly instructed Arthur to "drop it like a red hot shoe from the forge." Offended, Arthur retorted that "[t]he office of the Vice-President is a greater honor than I ever dreamed of attaining" (Hudson, William C. 1911. *Random Recollections of an Old Political Reporter*. New York: Cupples & Leon Co: 98). The vanity argument is also supported by Arthur's recognition that a Garfield-Arthur ticket might fail; nevertheless, he still contended that even "[a] barren nomination would be a great honor." (Hudson, 1911: 98). Arthur probably also sought to reclaim his political relevancy, which had faded quickly after his removal from the New York Customs House. Hence the Vice Presidency was both a personal honor and a means of political survival for Arthur. Regardless, after his nomination, money and patronage were Arthur's only concerns. And when news of Garfield's assassination reached him in New York, Arthur was unnerved. He immediately huddled with Conkling and the Stalwart captains to strategize, while telling reporters "I am overwhelmed with grief over the awful news." (*New York Times*. 1881. July 3). As a behind-the-scenes political broker, Arthur appears to have been terrified at the thought of becoming president. The few existing sources report him visibly shaken and often in tears during this period. "He is overwhelmed by the magnitude of the calamity and of the task which he may be called upon to perform" wrote one reporter (Quoted in Greenberger, 2017: 163). During most of Garfield's convalescence, Arthur secluded himself in his New York brownstone, venturing out only to strategize with Conkling and the party machine. When Garfield finally died, Arthur's butler informed reporters that the next president was "sitting alone in his room sobbing like a child, with his head on his desk and his face buried in his hands." (*New York Times*. 1881. September 20). Arthur's cherished private life, largely free from responsibility, was over.

Strangely, his mastery at influencing the New York political machine did not translate into skill at, or even inclination for, manipulating Congress. Instead, Arthur let Congress dictate legislation, budgets, and even foreign policy, an area in which the executive branch typically has seniority. He vetoed fewer bills than any president between Lincoln and George W. Bush, and only one of his major vetoes was fully successful.<sup>33</sup> He even tried to physically avoid the White House when he was in Washington D.C., preferring instead to stay with friends or at a small residence on the periphery of the city.<sup>34</sup> An administration member summed him as "...a sensitive, almost a timid man, I mean with reference to his responsibilities...a man oppressed with either duties or the inversion of his natural hours, or staggering under a sense of responsibility which he does not like"<sup>35</sup>

#### *Ascension—1881*

President Arthur's economic troubles began almost immediately upon entering office. The American economy had been flourishing for three years straight; but in autumn 1881, it quietly slipped into a recession.<sup>36</sup> After several years of bumper crops, American agriculture suffered a general setback. The wheat harvest alone fell 22 percent in 1881 alone, well off the historic records set in 1879. Meanwhile, fair weather in Europe and the post-war recovery of Russian farms meant a surge in European produce dumped onto international markets, forcing prices down everywhere.<sup>37</sup> Starting in September, US industrial production too began a sustained 12 percent decline that lasted until May the

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<sup>33</sup> The only exception is James A Garfield, who vetoed no bills during his abbreviated term, mostly because Congress was in session for just ten weeks of it and passed little significant legislation. Arthur vetoed a total of 12 bills, 9 of which were for pensions or other rewards for individual persons. His veto of the River and Harbors Bill was quickly overridden. His veto of the Chinese Exclusion Act was countered weeks later by a somewhat less restrictive act, which Arthur signed. His only legislative veto to survive unaltered was his July 1882 veto of a bill to regulate the carriage of passengers by sea.

<sup>34</sup> Doesnecke, Justus D. 1981. *The Presidencies of James A. Garfield & Chester A. Arthur*. Lawrence, KS: University Press of Kansas.

<sup>35</sup> Reeves 1975: 273.

<sup>36</sup> The Business Cycle Dating Committee of the National Bureau of Economic Research dates the peak of the economy at March 1882. However, it is not clear upon what this judgement is based, nor when it was made. Nor does it appear to be corroborated by the most recent statistical data available. It is possible that the NBER dating is decades old and unrevised. Exchanges with current members of the NBER BCDC support this interpretation, and suggest that revisions of older recession dates are being considered.

<sup>37</sup> Refers to the Russo-Turkish War of 1877-1878. Veblen, Thorsten. 1892: The Price of Wheat Since 1867. *Journal of Political Economy* 1(1): 68-103; Wholesale Price of Wheat, Chicago, Six Markets for Chicago, IL. National Bureau of Economic Research. NBER Macroeconomic Database. <http://www.nber.org/databases/macroeconomic/contents/chapter04.html>

following year.<sup>38</sup> Interest rates on domestic bonds suddenly plateaued, ending eight years of pleasantly gentle descents.<sup>39</sup> The stock market, which had been in the dumps since early summer, continued to weaken.

Yet few seemed to notice the slowdown. Absent modern statistical reporting, there was little national data with which to evaluate the economy. Certainly newspapers carried daily stories about the “decidedly heavy tone” of the stock markets and “an absence of interest on the part of investors”,<sup>40</sup> but only the very wealthiest Americans owned stocks at the time.<sup>41</sup> And while the downturn in industrial production was worrisome, fewer than 20 percent of workers were then employed in manufacturing.<sup>42</sup> In Arthur’s era, modern industry in the United States was barely twenty years old, hence slowdowns there were considered unpredictable fluctuations in an unfamiliar “high tech” sector. Perhaps most deceiving, almost every recession in living memory had been *preceded* by a financial panic. Yet the American financial system appeared rock solid in 1881. Therefore, few recognized the beginning of the 1881-1885 economic slump. Even six months into the recession, the *New York Times* was still assuring its readers that “[t]he era of prosperity may be said to have continued, as industrial and commercial activity have in no degree abated.”<sup>43</sup>

Arthur therefore said and did nothing. Rather than public policy or the economy, amongst Arthur’s first and most energetic actions as president was to remodel the White House.<sup>44</sup> Declaring “I will not live in a house like this”, for months he refused to move into the executive mansion until renovations

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<sup>38</sup> Index of Industrial Production and Trade for United States, Monthly, Seasonally Adjusted. National Bureau of Economic Research. NBER Macrohistory: XII. Volume of Transactions.

<http://www.nber.org/databases/macrohistory/contents/chapter12.html>

<sup>39</sup> Municipal Bond Yields for New England, Percent, Quarterly, Not Seasonally Adjusted; American Railroad Bond Yields, High Grade for United States, Percent, Monthly, Not Seasonally Adjusted. Both found in NBER Macrohistory: XIII. Interest Rates.

<http://www.nber.org/databases/macrohistory/contents/chapter13.html>

<sup>40</sup> *New York Times*. 1881. (August 2, 16).

<sup>41</sup> Data on stock ownership prior to the 1920s is sparse to non-existent. During the Gilded Age, stocks were used more for speculative investment and short-term trading than for long-term investment. On average, in 1881, only around 450,000 shares were traded daily on the New York Stock Exchange. Currently, trading volume is considered low when it dips below 6.5 billion shares on a daily average. See Geisst, Charles R. 2012. *Wall Street: A History. Updated edition*. New York: Oxford University Press; Table Cj857–858 Sales of stocks and bonds on the New York Stock Exchange: 1879–1999. *HSUS*.

<sup>42</sup> Table Ba814–830 The Labor Force, by industry: 1800–1960. *HSUS*.

<sup>43</sup> *New York Times*. 1881 (December 31).

<sup>44</sup> Bailey, Howald. 1970. Le Grand Chester. *The History Teacher* 3(3):50-55.

were mostly completed.<sup>45</sup> He personally managed the project, bringing in Louis C. Tiffany, of the famous New York jewelry family, to oversee interior design. This prompted critics to complain that Arthur spent more time on the remodeling than on his official duties as president.<sup>46</sup>

Otherwise, Arthur seemed disinterested in executive power in 1881. He gave a subdued and perfunctory inaugural address. He performed various ceremonial duties. He called Congress into special session in order to elect a president *pro tempore* of the Senate,<sup>47</sup> as well as to confirm a backlog of federal appointees. In other words, Arthur mostly just went through the motions of being president. And he gave no signs as to the future direction of his administration. “Everything is at sea about Arthur,” wrote one senior Republican in October, “...at present the Cabinet knows nothing whatever of his intentions.”<sup>48</sup>

As time passed, little changed. In early December, when Arthur delivered his first annual message to Congress, in writing, it was a long rambling missive that called for tax cuts, tariff reform, Indian policy reform, civil service reform, the elimination of silver currency, and new legislation on presidential succession. Congress was nonplussed. “There were but few Senators who paid close attention to all the paragraphs” reported the *Chicago Daily Tribune*.<sup>49</sup>

Nevertheless, President Arthur oversaw a placid administration during his first months in office. There were no scandals, no major mistakes, nor egregious misstatements. Also, the quiet interval while Garfield lingered on his deathbed had given Arthur time to reposition himself. It also gave the press and public time to calm down. As a result, by the end of 1881, Arthur had actually earned a modicum of trust from the American people. The *New York Times* opined that “President Arthur’s more recent appointments and the general conduct of his Administration have, on the whole, been such as to restore, in a measure, the feeling of confidence and hopefulness which prevailed in the early part of the year”.<sup>50</sup>

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<sup>45</sup> Sage, Agnes Carr. 1909. *The Boys and Girls of the White House*. New York: Frederick A. Stokes Company: 246.

<sup>46</sup> Arthur brought his taste for finery into the remodeling. He insisted on gold leaf, Limoges china, Japanese leather, Indian brasswork, and jeweled Tiffany glass from New York. And as a “thorough connoisseur of music”, he even commissioned a brand new McKnabe concert grand piano. Doenecke, 1981; Seale, William. 2008. *The President's House* (2nd edition). Washington DC: White House Historical Association; *New York Times*. 1882. (December 18).

<sup>47</sup> And thereby reinforce presidential succession.

<sup>48</sup> Hay, John. 1881. (October). Letter to Whitlaw Reid. Quoted in Cortissoz, Royal. 1921. *The Life of Whitelaw Reid, Volume 2*. New York: Charles Scribner's Sons: 76.

<sup>49</sup> *Chicago Daily Tribune*. 1881. (December 7).

<sup>50</sup> *New York Times*. 1881. (December 31).

Even the hostile *New York Tribune* admitted that “President Arthur has not yet burned his bridges...The feeling toward him is kindly, hopeful, and forbearing”.<sup>51</sup>

*1882: The Decline of the “Unexpected” President*

During 1882, however, confidence in Arthur evaporated. In addition to his withdrawn, passive administration, he seemed increasingly incompetent, and appeared to fall back into old habits. For example, in a bizarre move, in late January, Arthur suddenly canceled US participation in an ambitious Pan-American Peace Conference that had been initiated by his own Secretary of State just a few months earlier. The partisan press and former administration officials erupted in fierce criticism. But rather than take a stand, Arthur referred the matter to Congress, a remarkable abdication of executive power over American foreign affairs. Then, in late February, Arthur shocked the country by nominating his old machine boss, Roscoe Conkling, to the Supreme Court. “[Conkling’s] nomination is everywhere received with astonishment” reported the *New York Times*, its editors calling it “a long step downward...[that goes] far toward forfeiting the respect which the President had gained.”<sup>52</sup> Even some Republican papers called the Conkling nomination “A Disastrous Step” and “a surprise and mortification to those Republicans who had placed confidence in [Arthur’s] good sense”.<sup>53</sup>

Arthur also fumbled on immigration. For years, Chinese laborers had been arriving in large numbers, mostly settling in the West.<sup>54</sup> There they competed with locals for jobs and pushed down wages, especially on the railroads, often the largest employers in the region. The Chinese also appeared strangely foreign and culturally threatening to a country flush with Christian and white supremacist beliefs. With especially strong political pressure coming from California and Oregon, Congress passed the Chinese Exclusion Act which suspended all immigration from China for twenty years. In a rare move, Arthur

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<sup>51</sup> *New York Tribune*. 1881. (December 31).

<sup>52</sup> All quoted in *New York Times* 1882. (February 25).

<sup>53</sup> *Cleveland Herald*. 1882. Quoted in *New York Times*. (February 25).

<sup>54</sup> “Prior to 1854, immigration of Chinese had been fewer than 50 persons per year. In 1854, this number jumped to 13,100, in response to the discovery of gold in California, and then stabilized somewhat to a range of 3,000–7,000 for the next 10 years. Chinese immigration declined steadily from 1864 to 1866 as gold discoveries slowed. However, construction of the transcontinental railroad and the adoption of the Burlingame Treaty [1868] led again to increasing numbers of Chinese immigrants through 1870.” After which, the business cycle, railroad booms and busts, and agricultural and land development led to new waves of Chinese immigration and anti-Chinese pushback. Chen, Joyce J. 2015. The Impact of Skill-Based Immigration Restrictions: The Chinese Exclusion Act of 1882. *Journal of Human Capital* 9(3): 298-328.

vetoed it two weeks later. His long, pleading veto message explained that Congress was violating international treaty. Arthur also warned that “the system of personal registration and passports is undemocratic and hostile to the spirit of our institutions. I doubt the wisdom of putting an entering wedge of this kind into our laws.”<sup>55</sup> Americans throughout the country were furious! Arthur was denounced as a “traitor” and “for being carried away by New England sentimentalism”.<sup>56</sup> In California, he was burned in effigy. The newspapers warned that “[m]any prominent Republicans declare that they will no longer vote that ticket”.<sup>57</sup> But rather than stand firm, Arthur quickly folded. Within a month, when a new exclusion bill arrived at his desk, revised down to only a ten-year suspension on Chinese immigration, Arthur signed it without comment.

Meanwhile, the first hints of economic recession had begun to surface. In February 1882, the foreign business press noted a “collapse of the American speculation in produce” and a sudden fall off in US international trade.<sup>58</sup> But these were then casually dismissed as “largely due to exceptional causes”, such as the massive flooding of the Ohio and Mississippi Rivers that month.<sup>59</sup> The floods had destroyed crops and livestock, blocked roads and railways, submerged river docks, inundated homes and factories, and sent hundreds of thousands of people in search of new shelters or jobs.<sup>60</sup> A simultaneous run on American railroad securities also occurred, as investors, especially foreign holders, “lost confidence in railway and financial management”.<sup>61</sup> “[T]he fall has been very striking” observed *The Economist*.<sup>62</sup>

Then, during spring, a surge in European agriculture triggered an unmistakable new phase in the economic downturn. Increased exports from Europe’s farms drove down food prices internationally and thereby hurt the incomes of American farmers. Starting around April, American wheat prices plunged anew for seven months, dropping over 32 percent. This bust in US agriculture both coincided with, and

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<sup>55</sup> CAA. 1882. Veto message. (April 4).

<sup>56</sup> *Sacramento Daily Record Union*. 1882. (April 6).

<sup>57</sup> *Sacramento Daily Record Union*. 1882 (April 5, 6); *Los Angeles Daily Herald* 1882 (April 11).

<sup>58</sup> *The Economist*. 1882. February 18, Vol XL No 2008.

<sup>59</sup> *Ibid*.

<sup>60</sup> *Chicago Tribune*. 1882. (February 12); *Cincinnati Enquirer*. 1882. (February 21-23); *Daily Arkansas Gazette*. 1882. (March 14, 17, 23); *New Orleans Times-Democrat*. 1882. (March 29).

<sup>61</sup> Friedman and Schwartz 1963: 100.

<sup>62</sup> *The Economist*. 1882. February 25, Vol XL No 2009.

contributed to, a relative over-supply of railroad services. With too many rails to carry too little domestic goods and produce, the US transportation sector soon plummeted too. By summer the *New York Times* was reporting regional downturns: Chicago was “On The Verge of a Panic”, while there was already a “Depression in Cincinnati”.<sup>63</sup>

One potential palliative for the worsening recession was new federal spending on infrastructure and public works. Arthur had called for exactly this kind of “appropriations for such internal improvements as the wisdom of Congress may deem to be of public importance” in his first annual message in early December 1881.<sup>64</sup> In particular, he emphasized upgrades to the nation’s rivers and harbors. With specific reference to “[t]he immense losses and widespread suffering of the people...occasioned by the recent floods”, he repeated this request in a special message to Congress in April 1882, calling improvements there “of vital importance” to the entire nation.<sup>65</sup>

Arthur then abdicated, leaving the infrastructure bill entirely up to Congress. Without leadership from the White House, negotiations turned into a sprawling appropriation loaded with special projects. In late July 1882, after months of haggling, legislators passed the River and Harbors Bill. It appropriated \$18.7 million (roughly \$5 billion in 2018 dollars) for scores of river and harbor enhancements throughout the country.<sup>66</sup> This included much needed upgrades on the Mississippi and Ohio rivers, whose flooding had devastated regional economies earlier that year. Dozens of other state and local projects were also included that might have provided a fiscal pump to regional economies suffering from the recession. Although the press and some in the public attacked it as “a scandalous misappropriation of public money for the advancement of local jobbery”,<sup>67</sup> it was exactly the kind of federal spending that might have

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<sup>63</sup> *New York Times*. 1882. (July 30).

<sup>64</sup> CAA. 1881. Annual Message to Congress. (December 6).

<sup>65</sup> CAA. 1882. Special Message to Congress. (April 17).

<sup>66</sup> Using a per capita GDP measure. Williamson, Samuel H. 2019. Seven Ways to Compute the Relative Value of a U.S. Dollar Amount, 1774 to Present. MeasuringWorth. [www.Measuringworth.com](http://www.Measuringworth.com).

<sup>67</sup> *New York Times*. 1882. (July 27). Quoted in Greenberger, 2017: 2017.

boosted employment, stoked aggregate demand, all while making valuable infrastructure improvements throughout the country.<sup>68</sup>

Yet, days later, in early August 1882, Arthur abruptly vetoed the River and Harbors Bill. Succumbing to public criticism, he now insisted that the bill was too large and too filled with pork. “My principal objection to the bill” he wrote, “is that it contains appropriations for purposes not for the common defense or general welfare, and which do not promote commerce among the States.”<sup>69</sup> He also worried that such an “extravagant expenditure of public money” would have a “demoralizing effect” on government itself.<sup>70</sup> Such objections were remarkable coming from the Gentleman Boss, whose entire career had been built upon the generous ladling out of government money. Conservatives, reformers, and the press mostly applauded Arthur’s “sagacity” and “courage”, but Congress scoffed and passed the bill over Arthur’s veto by wide margins the following day.<sup>71</sup>

That summer, Arthur made a far more serious political error. Rather than work together with the Republican majority in Congress on national issues, Arthur instead embarrassed the presidency by continuing to play Stalwart boss in New York politics. Since entering office, Arthur had returned frequently to New York City and his old haunts, including Delmonico’s and the Fifth Avenue Hotel. During mid-1882, rumors surfaced that “the old machine that Arthur brought up by hand” had set its eyes on that autumn’s elections.<sup>72</sup> Arthur denied involvement. But he was implicated in shuffling federal appointments within New York’s post offices to bolster support for the Stalwart’s slate of candidates there. Arthur was also accused of rigging the state’s Republican nominating convention. In particular, he sought to unseat a sitting Republican governor, who was popular in the state, but whom had offended Arthur and the Stalwarts with his lukewarm support for them. The *New York Times* openly scolded the

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<sup>68</sup> Counter-cyclical fiscal policy at the federal level was still controversial. But state and local government spending on public works as a local economic boost was commonly discussed in newspapers and amongst policymakers, albeit in basic terms. In other words, the short-run economic effects of government spending on infrastructure were relatively well-understood. It was the long-run wisdom (and politics) that remained much disputed.

<sup>69</sup> CAA. 1882. Veto Message. (August 1).

<sup>70</sup> Ibid.

<sup>71</sup> *New York Times*. 1882. (August 2).

<sup>72</sup> *Cincinnati Enquirer* 1882. (June 1). Quoted in Reeves, 1975: 314.

Arthur administration for “unwarranted and mischievous intrusion in a field where its agents or its influence ought never to appear” and loudly denounced the supposed “bribery and forgery, and other means equally corrupt” used to have Arthur’s candidates “forced upon the convention.”<sup>73</sup> The result was a disaster for Arthur and the Stalwarts. They got their men nominated, but then proceeded to lose badly in the November elections. The New York governorship was rarely in Republican hands, and Arthur had pushed aside one of the few winning Republicans only to lose to a newcomer and reformist Democrat, Grover Cleveland.

Back in the nation’s cities, as wages dropped and unemployment mounted, labor unions began to organize. The seeds of the American Federation of Labor had been planted in Pittsburgh the previous autumn. Now, during 1882, membership in the secretive Knights of Labor accelerated past 42,000, more than double the prior year, as its working cooperatives bloomed throughout the country.<sup>74</sup> New accounts of the defunct Molly Maguires appeared in bookstores, reminding readers of the bloodshed that angry laborers were capable of.<sup>75</sup> Throughout summer, perhaps 100,000 men went on strike, including some 35,000 iron workers angry over wages.<sup>76</sup> In early September, thousands of union members marched through the streets of lower Manhattan in the nation’s first Labor Day. “[T]his parade coming at this time is open to suspicion” worried the *New York Daily Tribune*, which saw it as a show of political might by “certain demagogues and dishonest leaders”.<sup>77</sup>

Arthur appeared unperturbed. In fact, throughout his presidency, Arthur was not much of a “healer” for a country suffering from recession. Rather than assemble Congress or take executive action, he spent generously on himself. He rode around Washington DC in an opulent horse-carriage, the finest

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<sup>73</sup> *New York Times*. 1882. (September 20, 22). After the election, the editors of the *New York Times* scolded Arthur “Cease trying to be a ward politician and the Executive of the Nation at the same time.” (November 8). Historians now debate how much Arthur actually participated.

<sup>74</sup> Dubofsky, Melvyn and Foster Rhea Dulles. 2010. *Labor in America: A History* 8<sup>th</sup> Edition. New York: Wiley-Blackwell: 121.

<sup>75</sup> Lucy, Ernest W. 1882. *The Molly Maguires of Pennsylvania Or Ireland in America: A True Narrative*. London: George Bell and Sons. The Molly Maguires were a violent secret society of laborers which organized against mine and railroad owners, mostly in Pennsylvania. During the 1870s, they conducted assassinations, kidnappings, arson, property destruction, and beatings to achieve their goals.

<sup>76</sup> Skrabec, Quentin Jr. 2015. *The 100 Most Important American Financial Crises: An Encyclopedia of the Lowest Points in American Economic History*. Santa Barbara, CA: Greenwood; see also comments to the Senate by Morgan, John Tyler (D-AL). 1882. (June 21). *Congressional Record* 47th Congress, 13(5):161.

<sup>77</sup> *New York Daily Tribune*. 1882. (September 6).

used by any president since George Washington. He paid handsome sums for the latest clothing styles from New York and Europe. He travelled frequently to New York, summered in Florida or the New England coast, and cruised the Chesapeake on the presidential yacht. And when Arthur travelled, he eschewed a bodyguard, despite threats of assassination and Garfield's fate. Instead, he employed a valet and a French chef, both of whom accompanied Arthur on his trips.<sup>78</sup>

Arthur also entertained lavishly at the White House, turning it into a topflight destination for the nation's elite. "All his ambition...centers on the social aspect," observed a Senator's wife, "Flowers and wine and food, and slow pacing with a lady on his arm."<sup>79</sup> Each year, he held over a dozen state dinners; each week, he threw regular dinner parties; and on special occasions, he hosted concerts, parties, and celebrations. They were usually luxurious affairs. "He wanted the best of everything, and wanted it served in the best manner" a White House attendant recalled.<sup>80</sup> Even "intimate" meals with President Arthur might feature over a dozen courses, top shelf wines and liquors, and imported cigars.<sup>81</sup> One attendee wrote of her experience: "The dinner was extremely elegant...the flowers, the damask, the silver, the attendants, all showing the latest style and an abandon in expense and taste".<sup>82</sup> And when rebuked for his heavy drinking by a temperance advocate, Arthur growled "I may be President of the United States, but my private life is nobody's damned business!"<sup>83</sup>

Thus, 1882 was, to many Americans, a year of "dissatisfaction".<sup>84</sup> "There have been no brilliant achievements in finance," complained the *New York Tribune*, "...[and] in administrative efficiency, there has been stagnation."<sup>85</sup> The recession had also begun to throw people out of work and home. Charitable societies multiplied throughout the country to aid the growing numbers of impoverished. In New York

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<sup>78</sup> Hochschild, 1998.

<sup>79</sup> Beale, Harriet S. Blaine (ed.) 1908. *Letters of Mrs. James G. Blaine*. New York: Duffield and Company.

<sup>80</sup> Rood, Henry (ed.). 1911. *Memories of the White House: Personal Recollections of Colonel W.H. Crook*. Boston: Little, Brown, and Company: 163.

<sup>81</sup> Bailey, 1970.

<sup>82</sup> Harriet Stanwood Blaine.

<sup>83</sup> Reeves, 1975: 274.

<sup>84</sup> *New York Times*. 1882. (December 31).

<sup>85</sup> *New York Tribune*. 1882. (December 31).

City alone, public charity cost some \$6.5 million (\$165 million in 2018 dollars).<sup>86</sup> The stock market, which had seemed to rally for a few months during summer, resumed its frustrating slide downwards in early autumn. Both agriculture and industry also ended the year in the dumps.

### *Civil Service Reform*

Civil service reform too seemed stalled. The assassination of President Garfield had been a watershed event for Americans. “The whole people was shocked by the incident,” one Senator professed “...touched by the magnitude of the crime...”<sup>87</sup> Arthur was not denounced for it, but the spoils system was. The weight of national opinion now shifted *en masse* towards reform. Labor unrest, bank panics, and economic recession were all linked, in the public mind, back to corruption in government.

Nevertheless, President Arthur resisted. He genuflected to clean government in his speeches, but recommended caution and took no serious action. In fact, upon taking office, he assured the country that “No demand for speedy legislation has been heard; no adequate occasion is apparent for an unusual session of Congress.”<sup>88</sup> Three months later, he asked Congress only for a re-funding of the Civil Service Commission “for the promotion of efficiency in the different branches of the civil service”.<sup>89</sup> Meanwhile, Congress was still packed with machine bosses and spoilsmen, who rejected even that. The Arthur administration then used technicalities to avoid prosecuting the most flagrant cases of corruption in 1882.

In a wave of grassroots political advocacy, Civil Service Reform Associations appeared throughout the country to lobby for new legislation.<sup>90</sup> The press was widely sympathetic. For example, the *New York Times* openly berated a moderate anti-corruption bill introduced by Senator George H. Pendleton (D-OH), calling it a “sham” which “does not strike at the root of...the most flagrant abuses in the civil service.”<sup>91</sup> The anti-corruption movement was so strong and widespread, that many state party conventions embraced reform as the 1882 elections approached. Even many former spoilsmen now

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<sup>86</sup> Reznick, Samuel. 1956. Patterns of Thought and Action in an American Depression, 1882-1886. *The American Historical Review* 6 (2): 296; 2018 estimate uses a CPI based measure. Williamson, 2019.

<sup>87</sup> Pendleton, George. (D-OH). 1881. 47th Congress, 1st Session. (December 13). *Congressional Record*: 79.

<sup>88</sup> CAA. 1881. Address Upon Assuming the Office of President of the United States. (September 22).

<sup>89</sup> CAA. 1882. Special Message to Congress. (February 28)

<sup>90</sup> Hoogenboom, 1961.

<sup>91</sup> *The Sun* (New York). 1882. (December 29).

eagerly converted to the cause, rather than be thrown out of office.<sup>92</sup> Yet Arthur continued to dissemble and delay. “Are you a coward?” asked a disappointed supporter, “Do you fear to face the same danger that Garfield faced?”<sup>93</sup>

As a result, the 1882 midterm elections were a disaster for Arthur. They evolved into a national debate over government ethics, and the Republicans lost badly.<sup>94</sup> Disappointed by their president’s meddling, flip-flops, and failed leadership, many Republican voters simply stayed home. In one of the largest reversals in Congressional history, the Republicans lost 34 seats in the House, collapsing from a bare majority there of 52 percent down to an impotent 36 percent minority. Thanks to a more forgiving electoral map in the Senate, they managed to defend their 37 seats, which gave them a tentative grip on the 75-man upper house. In the state of New York, Democrats swept the field. Not only did reformer Grover Cleveland take the governor’s seat, but Democrats captured both houses of the state legislature by wide margins. Arthur, the consummate campaigner as boss and candidate, now, as President, could not even win seats for his party in his own home state.

The resounding message of the 1882 midterms forced Arthur to finally act on civil service reform. He supported Republicans in Congress, who dusted off the Pendleton bill and hastily passed it in mid-January 1883. But even still, Arthur was content to see the Pendleton Civil Service Act weakened by amendments and revisions so as to remove, dull, or delay its strongest dictums. The watered-down bill covered only federal positions in Washington D.C., and customs house and postal employees in the largest cities. Ninety percent of Federal jobs remained exempt, as did older veterans, blue collar workers, and those appointments confirmed by the Senate.<sup>95</sup> Perhaps essential to its passage, was the fact that the Pendleton Act would weaken the spoils system just as the Democrats were poised to take over the House, and possibly soon the Senate and presidency too. That is, the Pendleton reforms would prevent Democrats

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<sup>92</sup> Hoogenboom, 1961.

<sup>93</sup> Sand, Julia. 1882. Letter to CAA. (January 7). Quoted in Greenberger, 2017: 188.

<sup>94</sup> Summers, Mark Wahlgren. 2000. *Rum, Romanism, and Rebellion: The Making of a President, 1884*. University of North Carolina Press.

<sup>95</sup> Doenecke, 1981 estimates that a total of 131,000 Federal employees at the time, of which only 14,000 fell under the preview of the Pendleton Act when it was first passed.

from removing thousands of Republican appointees, or rewarding supporters, while allowing Republicans to pose as reformers. “The Congress that met in December, 1882, was thinking of 1884” writes one scholar of the period.<sup>96</sup>

### *The “Mongrel” Tariff*

Meanwhile, the economy ground downwards, with only occasional glimmers of hope. For example, starting in November 1882, wheat prices rose briskly; and then the stock market appeared to level off during the first half of 1883. However, industrial production told a different story. After having staged a recovery the previous summer, the nation’s industrial sector suddenly swooned in December 1882, falling to new lows over the next five months. Stagnation and decline soon returned to agriculture and the stock market. After trending upwards 20 percent, wheat prices also began to sag again, from May 1883 onwards into the close of 1884. By spring 1883, the depression had clearly spread to the iron industry.<sup>97</sup> A Pittsburgh manufacturer told reporters “for the past six months we have been selling coke at an actual loss...the only way out of the difficulty is to cease producing.”<sup>98</sup> By the end of summer, *The Nation* was reporting several months of “over-production and consequent declining prices, resulting in an increase of business failures”<sup>99</sup> and a “sudden and great decline in prices on the Exchange, and...[m]anufacturing business has been seriously depressed.”<sup>100</sup>

Strategic adjustments to US trade policy offered a possible solution, but Arthur mismanaged these as well.<sup>101</sup> As unemployment and bankruptcies rose, domestic demand plummeted. American farmers and industrialists responded by seeking help to increase exports to foreign markets, while restricting imports at home. Yet consumers wanted tariff reductions. Arthur sought compromise. On trade and tariffs, he came to believe that expanding markets for exports, and reducing taxes on imports, were essential for the US economy. “The present tariff system is in many respects unjust,” Arthur told Congress, “It makes

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<sup>96</sup> Hoogenboom, 1961: 237.

<sup>97</sup> NYT 1883. May 30.

<sup>98</sup> NYT 1883. June 15.

<sup>99</sup> *The Nation*. 1883. (August 9): 105.

<sup>100</sup> *The Nation*. 1883. (Sept 6): 200.

<sup>101</sup> Irwin, Douglas A. 2017. *Clashing Over Commerce: A History of US Trade Policy*. Chicago: University of Chicago Press; Johnson, C. Donald. 2018. *The Wealth of a Nation: A History of Trade Politics in America*. New York: Oxford University Press.

unequal distributions both of its burdens and its benefits.”<sup>102</sup> After all, the US Treasury did not need the tariff income. In fact, the federal surplus had grown so large that it was becoming a public embarrassment. Also, the existing tariff protections clearly favored industry, forcing farmers and consumers to pay higher prices than would have existed under free trade.

But rather than advocate for major reforms, Arthur merely created a commission to study the problem and only *after* gaining approval from Congress. The trade commission then took six months to investigate. Its final report roundly criticized the existing tariff structure and called for widespread reform, including a 20-25 percent reduction in tariffs. President Arthur declared his support, but then retired from the field of battle. He left the all-important details and negotiations to Congress. “Lobbyists [then] descended like a flock of buzzards upon Washington”, transforming the tariff commission’s recommendations into a confused slurry of special interest protections.<sup>103</sup> Without presidential leadership, the Congressional haggling and horse-trading became so bogged down that resulting bill was labeled the “Mongrel Tariff”. It was a hodgepodge of compromises that wound up lowering duties on imports an average of only 1.47 percent, and therefore had little effect on the US economy. Nevertheless, Arthur signed it without comment in early March 1883. Even its supporters declared it “half a loaf” and “better than nothing”.<sup>104</sup>

Arthur’s performance was in fact lackluster across all aspects of US foreign policy, the venue in which presidents have the most freedom of action and ability to innovate. He left matters almost entirely to his State Department, which then either bungled them or saw its initiatives trashed by Congress or tabled by the next administration.<sup>105</sup> Perhaps the only instance of relative success in Arthur’s foreign

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<sup>102</sup> CAA. 1882. Annual Message to Congress. (December 4).

<sup>103</sup> Josephson, Matthew. 1938. *The Politicos*. New York: Harcourt Brace: 330. Quoted in Irwin 2017: 239.

<sup>104</sup> *New York Times*. 1883. (March 4).

<sup>105</sup> Arthur’s first Secretary of State, James Blaine, was himself a machine boss who tried to build up an impressive record of achievement so as to boost his own presidential chances. Blaine tried to force a renegotiation of the Clatyon-Bulwer Treaty with Great Britain; insert the US into peace negotiations to end a war between Chile, Peru, and Bolivia; moderate a boundary dispute between Mexico and Guatemala; settle a trade dispute over US pork exports to Europe; free Irish-American prisoners held in Britain; and host a grand Pan-American conference in Washington DC. In each case, Blaine mismanaged matters in a manner that not only embarrassed the United States, but also angered the other countries involved. Blaine’s successor at the State Department, Fredrick Frelinghuysen was more responsible, conservative, and orthodox; but Frelinghuysen spent much of his time trying to clean up after Blaine. Where Frelinghuysen innovated was in his attempts to open up new markets for American

policy was at the Navy Department. There, Arthur supported the first new investments to replace obsolete Civil War vessels with a modern battlefleet. But the immediate results were poor: the initial contracts went to political cronies who mismanaged ship construction. Arthur's Navy Department was later found to be so rife with corruption, partisan politics, and ossification, that it was thoroughly reorganized by his successor. The true value of Arthur's naval decisions would not be realized for almost twenty years, until the Spanish-American War. Overall, US foreign policy under Arthur has been widely judged by historians as "uncoordinated", "stillborn", and "inept".<sup>106</sup> Or as one British minister of the period put it, "The result of the interference of these untrained [American] men in international affairs, which they did not fully understand, was a remarkable display of pretentious incapacity."<sup>107</sup>

*"Making a man President cannot change him"*<sup>108</sup>

One perpetual obstacle for President Arthur was that he was simply not trusted. Not by political elites, nor by large swathes of the America people. "To lie, to cheat, to steal, to forge, to bribe & be bribed—those are what [your friends] consider the avenues to your favor" scolded a rare admirer.<sup>109</sup> While President, he committed no crimes nor egregious scandals; but Arthur was distant, self-absorbed, and cared little for his job. Other than redecorating, he made no attempt to change how things were done in the White House or within the executive branch. He continued the light hours of work to which he had grown accustomed as a state party broker. He arrived late mornings, took long lunches, and was usually gone by late afternoon. Most of his work hours were spent greeting Congressmen, meeting with his cabinet members, or receiving visitors (usually job or favor seekers, the callers whom Arthur hated most). And he could be found at all hours taking long strolls with friends. Hence the media called him "sluggish", "indolent and uncertain and timid", and "given to procrastination" when it came to the serious

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products, which mostly failed. Reeves 1975; Doenecke 1981; see also Herring, George C. 2008. *From Colony to Superpower: U.S. Foreign Relations since 1776*. New York: Oxford University Press.

<sup>106</sup> Reeves 1975; Doenecke 1981; Herring 1981. For just one case study of Arthur's bungling in foreign policy, see Hochschild, Adam. 1998. The King's Lobbyists. *The American Scholar* 67(3):39-52.

<sup>107</sup> Quoted in Doenecke 1981: 62.

<sup>108</sup> Sand, Julia. 1881. Letter to CAA. (August 27). Quoted in Millard, Candice. 2011. *Destiny of the Republic: A Tale of Madness, Medicine and the Murder of a President*. New York: Doubleday: 241.

<sup>109</sup> Sand, Julia. 1882. Letter to CAA. (October 9). Quoted in Greenberger, 2017:205

business of the Presidency.<sup>110</sup> Indeed, “his staff often felt it necessary to urge the President to attend to matters at hand”<sup>111</sup> A White House clerk later joked “President Arthur never did today what he could put off until tomorrow.”<sup>112</sup>

Arthur *did* inherit from President Garfield a cabinet that was capable, experienced, and widely respected. But they were little help. Most of Garfield’s men were either from rival Republican factions or leery of Arthur’s reputation as a spoilsman. “The new administration will be the centre for every element of corruption...,” a well-regarded Republican insider warned a fellow partisan, “The outlook is very discouraging.”<sup>113</sup> Hence, Garfield’s senior appointees began to abandon Arthur soon after he was inaugurated. Despite the new president’s pleas to remain, three of the seven cabinet quit during his first weeks in office. Over the months, others followed. Of Garfield’s original cabinet, only the Secretary of War, Robert Todd Lincoln, would remain for the duration. The result was an unstable administration. Overall, Arthur went through 19 cabinet members, including four men each at Treasury and the US Postmaster.

Nor were Arthur’s new cabinet and senior appointees strong assets. Most were leading members of the nation’s various political machines, who were left to run their departments with little direction, or oversight, from Arthur. Hence they generally ran their departments more with an eye towards rewarding and bolstering their party faction, than with serving Arthur or the nation at large. Many were ill-qualified or poor managers. On a regular basis, the newspapers carried stories of administrative incompetence: failed federal prosecutions, botched diplomacy, neglected legislation, mismanagement in government contracting, and mischief in the administration of federal lands.<sup>114</sup> The political damage was so deep that it began to threaten the party itself. “The republican party has outlived not merely its usefulness but its moral sense” lectured the *New York Herald*.<sup>115</sup>

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<sup>110</sup> Reeves 1975: 275.

<sup>111</sup> Reeves 1975: 273.

<sup>112</sup> Reeves 1975: 273.

<sup>113</sup> Adams, Henry. 1881. Letter to Henry Cabot Lodge. (November 15). Quoted in Greenberger 2017: 184. Adams was not only an esteemed historian and political observer, but he also lived across from the White House in Washington DC.

<sup>114</sup> Reeves 1975; Doenecke 1981; Karabell 2004; Greenberger 2017.

<sup>115</sup> *New York Herald*. 1883. (June 21).

In particular, Arthur was devoid of useful economic advice from his Treasury Secretaries. Garfield's appointee resigned rather than serve under Arthur. In his place, Arthur selected a long-time friend and political ally, Charles Folger, whose expertise was in law and in arranging campaign "donations" from government employees, rather than in economics, banking, or business. Folger did implement some anti-corruption reforms in Treasury Department hiring practices. He also supported Arthur's efforts to cut taxes. However Folger became "something of a recluse, was frequently ill, and suffered spells of severe depression".<sup>116</sup> After he died in office, Arthur replaced him, first with an interim appointment, and finally with an experienced expert in banking and finance. But with only four months left in Arthur's lame-duck presidency, this last Treasury Secretary had little influence on the US economy.

#### *Arthur and the American People*

In a broader sense, Arthur was shockingly bad at forging productive relationships with major political-economic actors. For example, his impulsive acceptance of the Vice-Presidential slot, against the preferences of Conkling and other Stalwart leaders, offended many within his own Stalwart faction. Of course, Democrats and Southerners felt no reason to ally with President Arthur, a Northern Republican. And to anti-corruption reformers, Arthur the spoilsman had for years been a sworn enemy. Hence, he came into the presidency with few natural allies.

Then, once in office, Arthur proceeded to offend almost everyone else with his distribution of patronage appointments. As President, Arthur had thousands of Federal jobs to appoint, with myriad competing factions and sub-factions jockeying for their share of the spoils. Every job meant a favor repaid or, better yet, a commitment earned for loyalty in future elections. Arthur attempted to divide these patronage positions somewhat equally amongst Republican party factions.<sup>117</sup> But Arthur was so closely identified with the Stalwart faction in New York, that no one believed his attempts at objectivity. Each

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<sup>116</sup> Reeves 1975: 354.

<sup>117</sup> Others have argued that "Arthur's patronage appointments were not directed towards reconciliation. Instead he used patronage to reward his followers and the independents in the south for breaking with the bourbon Democrats, and above all else, gain the Republican renomination of 1884. Dehler, Gregory J. 2011. *Chester Alan Arthur: The Life of a Gilded Age Politician and President*. New York : Nova Science Publishers, Inc: 103.

faction perceived the others as winning at its expense, and then criticized Arthur for either favoritism or disloyalty. And all were frustrated by Arthur's slowness, or outright refusal, to dismiss sitting office holders so that loyalists could take their jobs. "[H]e has done less for us than Garfield, or even Hayes" groused one Stalwart captain.<sup>118</sup> Arthur even helped to destroy the remaining political base of the Republican party in the South by withholding federal appointments from African Americans and their allies in a fruitless attempt to woo Southern whites. Thus Arthur had few reliable partners with whom to accomplish anything as president.

Nor did Arthur make much effort to win over the American public. He mostly neglected to educate them on vital issues of the day or his rare policy preferences. When he travelled as President, it was usually to escape Washington and socialize with friends, not to campaign or meet the people.<sup>119</sup> The few times he did attempt to inform Americans about administration policy, he did so in writing and used well-established vehicles: his inauguration speech, his four annual messages to Congress, his veto messages, and the occasional proclamation. These rare, formal announcements constituted the bulk of Arthur's communications strategy.

He had a dreadful relationship with the press. As an ex-machine boss who had always operated best in secrecy, Arthur had long learned to hate and distrust reporters. He therefore avoided them whenever possible. "I make it a habit not to talk politics with you gentlemen of the press" he remarkably told one journalist.<sup>120</sup> As a result, the American public relied mostly on rumors, reputation, and second-hand gossip about Arthur's presidency, with no one in the White House to set them straight.

#### *The Road to Crisis and the Panic of 1884*

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<sup>118</sup> *Cincinnati Enquirer* 1883. (November 22). Quoted in Greenberger 2017: 217

<sup>119</sup> For example, Arthur was criticized in 1883 when he failed to greet the crowds gathered to see him as his train passed through during his trip to Wyoming. The *Chicago Journal* scolded: "We think President Arthur made a mistake when passing through the country on his recent trip in persistently refusing to appear at the railroad stations where the people had assembled to pay their respects to the chief magistrate. Many of these persons had travelled a considerable distance in order to get a sight of a live President, and were no doubt sorely disappointed when the train stopped and there was no response to their urgent appeals..." Ellis, Richard J. 2008. *Presidential Travel*. Lawrence, KS: University Press of Kansas: 297 fn15.

<sup>120</sup> *Chicago Tribune*. 1883. (August 3). Quoted in Greenberger, 2017: 219.

Meanwhile, the economic depression worsened throughout 1883-1884. Despite some occasional bounces, industrial production resumed its slide downwards during early summer 1883. For the remainder of Arthur's presidency, it contracted almost every month, eventually prompting the *Nation* to declare "[The] Manufacturing industry is depressed to a degree hardly surpassed in our history".<sup>121</sup> So too did agricultural incomes fall further, as foreign imports drove prices lower, even during periods of healthy domestic crop yields. With fewer goods to ship, railroad profits also slumped. Bankruptcies in domestic agriculture, industry, and transportation soon began to injure the banks that had invested heavily in these sectors. This pressured the stock market ever downwards. And even though only the wealthy owned stocks, contemporaries observed that the effect of the constantly declining stock market "has been to produce general blueness or despondency...it restricts consumption in all but the necessities."<sup>122</sup>

As these conditions worsened, the supply of money and credit shrank, emboldening pro-silver forces and frightening "hard money" men.<sup>123</sup> For decades, the latter had worked to get the US solidly on the gold standard. They included Presidents Grant, Hayes, and Garfield, each of whom had supported legislation to fix the value of the dollar to gold, and hence to other major world currencies, and to decrease the use of cheaper silver and printed paper money.<sup>124</sup>

However, growth in the American gold stock had slowed drastically in 1882, and then failed to make a strong recovery.<sup>125</sup> By 1884, gold exports were almost double those of gold imports, an exodus not seen since the depths of 1873-1878 recession.<sup>126</sup> Meanwhile, silver purchases and silver prices

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<sup>121</sup> White, Horace. 1884. State of Trade. *Nation*. (Feb 7) 38: 112.

<sup>122</sup> *Nation*. 1883 (Aug 16). Quoted in Reznick 1956: 286.

<sup>123</sup> Although *nominal* interest rates remained relatively low and steady during the recession, in the neighborhood of 4 percent, increasing deflation meant that *real* interest rates headed upwards towards 10 percent.

<sup>124</sup> Fixing the dollar to gold would boost confidence in investors. Ideally, anyone who invested in the US could get out dollars worth the same as those put in. Eliminating alternative forms of money (silver, paper) meant that the government could not print its way out of debt, nor could cheap and abundant silver be substituted in deals originally made in precious gold.

<sup>125</sup> The three primary causes of the gold stock deceleration were: changing trade patterns, severe drops in investor confidence, and Gresham's law. First, as American exports declined, so too did incoming foreign payments in gold. Second, as the returns on land development and railroads declined, foreign investors began to pull back on their investments, thus less gold inflows and more outflows. Third, whenever given the option, Americans paid their bills, fees, taxes, and tariffs in the weaker currency (silver and paper) and hoarded the stronger (gold). Nor were new discoveries of domestic gold deposits large enough to make up the difference. Thus, gold slowly bled out of the US Treasury and out of the country. See Timberlake 1993; Friedman and Schwartz 1963.

<sup>126</sup> In relative terms, The leakage was not large, only 2-5 percent of the total monetary gold stock; but it called into question the ability of the US to maintain its commitment to the Gold Standard over time. Looking backwards, we can see that, between 1881 and 1884, the US gold stock grew only around 11 percent, just barely ahead of population growth and not enough to maintain the

mounted, as forces agitated anew for legislation to legalize silver for use in all private and public transactions. “The silver men are insatiable,” complained the *New York Times* in early 1883, “They are not content with opposing any suspension of the coinage of silver, but are bent upon forcing in circulation the [silver] dollars already accumulated.”<sup>127</sup> Congress began to openly debate new laws in favor of silver, as concerns grew over the Treasury’s stocks of monetary gold. By early 1884, the press was reporting that “[t]he question as to whether the Government will be compelled to pay its Clearinghouse balances in silver, instead of gold, is now a live topic of conversation among bankers.”<sup>128</sup> Hence foreign investors feared that the US would leave the gold standard and began to pull their gold out of the American economy.<sup>129</sup>

Arthur said nothing to ameliorate their concerns. In fact, throughout the depression, Arthur restricted his commitment to the gold standard to brief and mildly favorable comments in three of his four State of the Union messages. Nor did he see any role for himself in addressing the growing economic disaster. He took no substantive actions. He issued little more than occasional, bland statements. He organized no conferences nor special commissions to study the problem.<sup>130</sup> He made no attempts to soothe an increasingly distressed public.

The conditions were ripe for a financial crisis, which finally erupted in early May 1884.<sup>131</sup> The trigger was the sudden and spectacular bankruptcy of Grant & Ward, a prominent brokerage house run by the son of Ulysses S. Grant. Unbeknownst to the ex-president, or his son, its success had been built on a Ponzi scheme, with new investments and loans being used to pay off the old.<sup>132</sup> When fresh investors

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economic boom begun in mid-1878. Meanwhile gold in circulation shrank. Table Ee362–375 Exports and imports of merchandise, gold, and silver: 1790–2002; Table Cj1–6 U.S. monetary gold stock: 1879–1971. *HSUS*; Table Cj54–69 Currency in circulation, by kind: 1800–1999. *HSUS*.

<sup>127</sup> *New York Times*. 1883. (February 5).

<sup>128</sup> *New York Times*. 1884. (February 26).

<sup>129</sup> Friedman and Schwartz 1963: 128-132.

<sup>130</sup> However, in late June 1884, Arthur did sign off on the creation, by Congress, of the Bureau of Labor Statistics within the Interior Department. Arthur then appointed the very capable Carroll Wright as its first commissioner the following January. Under Wright, the BLS quickly began to publish regular reports, data, and analysis of working conditions, including an analysis of the ongoing economic depression. Goldberg, Joseph P. and William T. Moye. 1985 *The First 100 Years of the Bureau of Labor Statistics*. Washington DC: Bureau of Labor Statistics.

<sup>131</sup> Geisst, Charles R. 1997. *Wall Street: A History*. New York: Oxford University Press: 103-104; Skrabec, Quentin R. 2015: 103-104.

<sup>132</sup> Ward, Geoffrey C. 2012. *A Disposition to be Rich: How a Small-Town Pastor’s Son Ruined an American President, Brought on a Wall Street Crash, and Made Himself the Best-Hated Man in the United States*. New York: Alfred A. Knopf.

dried up, and its stock speculations failed, Grant & Ward collapsed. The larger problem was that the firm owed \$14.5 million (\$4.26 billion in 2018 dollars) to its creditors, including the illustrious Marine National Bank, now ruined.<sup>133</sup> A week later, the Second National Bank of New York was bankrupted by a similar fraud. These were quickly followed by two more bank failures and the liquidation of seven investment houses. A vicious spiral ensued with panicked selling on Wall Street, bank runs, and contagion that threatened to spread throughout the financial system. Only action by the New York Clearing House (NYCH), a private association of sixty major regional banks, saved the day.<sup>134</sup> The NYCH lent out \$25 million in emergency funding to systematically important banks in the city, and thereby “likely short-circuited a full-scale banking panic”.<sup>135</sup> Nevertheless, 11 banks in New York City failed, along with 100 state banks.

Striking at the financial center of the nation, the 1884 banking crisis in New York reverberated throughout the country. Business loans plummeted nationwide, pushing bankruptcies to record highs, totaling some \$226 million (\$66.4 billion in 2018 dollars) in liabilities.<sup>136</sup> Hence, the entire US economy sagged into 1885, possibly an overall contraction of 5.5 percent since 1881, with unemployment peaking as high as 13 percent.<sup>137</sup> “[D]estitution was never more prevalent” reported a Michigan state government study, while broader surveys showed that factory wages declined 20-30 percent nationwide, as strike activity escalated.<sup>138</sup> Throughout the remainder of the year, the *New York Times* continued to report that “Business is dull”, “Work is irregular”, “Wages have been largely reduced”, and “Capital is timid.”<sup>139</sup>

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<sup>133</sup> Using a per capita GDP measure. Williamson, 2019.

<sup>134</sup> A private association of around 60 major New York banks that acted as a central clearing house for the “adjustment and payment of the daily balances due to and from each other at one time and in one place on each day.” Originally founded in 1853 as a “labor-saving device”, by 1884 it had “become a medium for united action among the banks”, such as acting as a lender of last resort during liquidity crises. Cannon, J.G. 1910/1911. *Clearing Houses and Credit Instruments*. Publications of National Monetary Commission Vol VI. Washington DC: GPO. Senate Document 491: 1.

<sup>135</sup> Anderson, Haelim Park and John C. Bluedorn. 2017. Stopping contagion with bailouts: Micro-evidence from Pennsylvania bank networks during the panic of 1884. *Journal of Banking & Finance* 76: 139-149; Cannon, 1910/1911: 90.

<sup>136</sup> Skrabec, Quentin R. 2015: 103-104. 2018 estimate uses a per capita GDP measure. An total output measure puts the figure closer to \$389 billion. Williamson, 2019.

<sup>137</sup> Calculated as change in GDP/capita using Table Ca208–212 Gross national product: 1869–1929 [Standard series], Table Aa6–8 Population: 1790–2000 [Annual estimates]. *HSUS*; unemployment data from Skrabec, 2015: 103; Sorkin, Alan. 1997. The Depression of 1882-1885. In *Business Cycles and Depressions: An Encyclopedia*. Edited by David Glasner. New York: Gardland Publishing: 150.

<sup>138</sup> Michigan Bureau of Labor Statistics. 1885. Quoted in Rezneck 1956; Table Ba4954–4964 Work stoppages, workers involved, average duration, and person-days idle: 1881–1998. *HSUS*.

<sup>139</sup> *New York Times*. 1884. (Oct 28, Nov 1, Dec 4). Quoted in Rezneck 1956: 303.

By now, even the Republican Party had long abandoned President Arthur. Frustrated by his lack of leadership and repeated failures, some had dismissed him as a lame duck the previous year. Meanwhile, his apathy amidst the economic disaster allowed leading Democrats to blame it on the Arthur administration, warning Americans that “[t]he Republican party offer no remedy for the policy which has produced the existing paralysis of industry.”<sup>140</sup> Perhaps his only strong supporters for re-election were business leaders who wanted a quiet, passive executive, like Arthur, to stay out of their way.

For his part, Arthur wanted little to do with the 1884 presidential election, and largely neglected it. He allowed his name to be floated for a second term in order to save face, and to reduce suspicions about his failing health. But he was rejected for the Republican party nomination in favor of a more powerful machine boss, Senator James G. Blaine (R-ME). Thus, the shrewd New York spoilsman, who had practically won the presidency for the Republican party in 1881, watched from the sidelines as a Democrat took the White House the first time in almost thirty years.

By the time Arthur left office in March 1885, the economy was in shambles. Real GDP per capita was down roughly 7 percent from 1881.<sup>141</sup> Both industrial production and the stock market had fallen by around 30 percent overall, and sat at or near their nadirs for his presidency.<sup>142</sup> Deflation plagued the cities, with consumer prices falling 5-6 percent.<sup>143</sup> Wholesale prices were also down dramatically: for steel rails (50-55 percent), wheat (40 percent), sugar (40 percent), copper (23-40 percent), wool (16-26 percent), and even inelastic coal (3-9 percent).<sup>144</sup> Business failures climbed precipitously, doubling between 1881 and 1884.<sup>145</sup> Labor unrest also skyrocketed, with the number of strikes increasing by 45 percent between 1881 and 1885, and double the number of workers participating in them.<sup>146</sup> The trade surplus shrank during 1881-1884, as imports rose around 17 percent, while exports fell around 5 percent.<sup>147</sup> Thanks to decreased

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<sup>140</sup> Hewitt, Abram S. 1883. Letter to the *Argus* (December 26). Quoted in *New York Times*. 1881. (December 29).

<sup>141</sup> Table Ca9-19. Gross domestic product: 1790-2002. *HSUS*

<sup>142</sup> National Bureau of Economic Research, Index of Industrial Production and Trade for United States [M1204AUSM516SNBR]

<sup>143</sup> Table Cc1-2 Consumer price indexes, for all items: 1774-2003. *HSUS*.

<sup>144</sup> Table Cc205-266 Wholesale prices of selected commodities: 1784-1998. *HSUS*; NBER Macro Database.

<sup>145</sup> Table Ch408-413 Business incorporations and failures – number and liabilities: 1857-1998. *HSUS*

<sup>146</sup> Table Ba4954-4964 Work stoppages, workers involved, average duration, and person-days idle: 1881-1998. *HSUS*

<sup>147</sup> Federico-Tena World Trade Historical Database.

revenues and moderate tax cuts, even the once reliable budget surplus came down, having peaked in 1883, and then fallen 22 percent by the year Arthur left office.<sup>148</sup> The economic situation was so bad that America even lost its luster for foreign migrants. After hitting a record of 816,000 in 1882, immigration fell into decline, dropping by 46 percent by 1885, while alien departures surged 240 percent, reaching highs not yet seen in the post-bellum era.<sup>149</sup> Perhaps the only silver lining was that, thanks to Arthur's failure to ease either monetary policy or debt reduction, the dollar maintained its value against the British pound, while the public debt fell by over 20 percent.<sup>150</sup>

Arthur was glad to exit the Presidency when it was over. Towards the end of his administration, and ever since, observers conceded that Arthur was a far more trustworthy President than originally feared. "No [formal] duty was neglected in his administration, and no adventurous project alarmed the nation" observed the *New York World*.<sup>151</sup> Nevertheless, soon after leaving office, Arthur burned all of his personal papers rather than leave them for journalists and historians to investigate. He made no grand speeches. He wrote no memoirs. He granted no substantive interviews. And he "sternly advised his son never to go into politics; the price demanded of him for his office had been far too high".<sup>152</sup> Years after he died, former colleague and rising Republican statesman Elihu Root said of Arthur, "Surely no more lonely and pathetic figure was ever seen assuming the powers of government. He had no people behind him...He had no party behind him...He had not even his own faction behind him...He was alone."<sup>153</sup>

### *Conclusions*

Chester Arthur's presidency is an insightful case of economic failure. Our task is to understand why he failed. Specifically, how much blame, if any, does the president deserve? Certainly Arthur did not

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<sup>148</sup> Table Ea584-587. Federal government finances-revenue, expenditure, and debt: 1789-1939 *HSUS*.

<sup>149</sup> Table Ad21-24 Net immigration – various estimates: 1870-1957. *HSUS*.

<sup>150</sup> U.S. / U.K. Foreign Exchange Rate in the United Kingdom, U.S. Dollars to One British Pound, Annual, Not Seasonally Adjusted. NBER Macro Database; Table Ea584-587. Federal government finances-revenue, expenditure, and debt: 1789-1939. *HSUS*.

<sup>151</sup> *World* [New York]. 1886. (November 20). Quoted in Reeves, 1975: 423.

<sup>152</sup> Reeves, 1975: 418.

<sup>153</sup> Elihu Root was supposedly present when Arthur received news of Garfield's death. Arthur appointed him as a US Attorney in New York (1883-1885). Root served later Republican presidents as Secretary of War (1899-1904) and Secretary of State (1905-1909). Root, Elihu. 1899. Address at the Unveiling of a State of President Arthur in Madison Square, New York. (June 13). Quoted in Root, Elihu. 1917. *Miscellaneous Addresses*. Cambridge, MA: Harvard University Press: 111.

cause the depression of 1881-1885 or the financial crisis of 1884. Indeed, he may not have been able to prevent, or even alleviate, either collapse. But we cannot know, because Arthur never tried! Arthur's failure was his entirely passive approach to presidential leadership. His major actions over his three and a half years in office consisted of a handful of formal statements and a few vetoes. Otherwise, he left policy matters to his cabinet and Congress, even in foreign affairs. Only rarely did he exercise executive power or even express policy preferences. He evaded controversial decisions. Other than to socialize, he avoided Washington DC, and even the White House itself, whenever possible. In practice, he was mostly a ceremonial leader, who stood by as the US economy slid into turmoil.

Arthur's passivity might be, at least partly, due to his lack of vision for either the presidency or the country. To Arthur, the president's job was to oversee and delegate government administration and to defend the constitution. He saw little role for himself, or the federal government, in addressing the economic downturn. "Overall, he was more reactive than active," concluded one biographer "...he didn't lead the charge".<sup>154</sup> In fact, Arthur shrank from the presidency. He remained a city machine boss with neither interest nor experience in national policy. And Arthur lacked the flexibility to respond to changing circumstances. He demonstrated little capacity to learn; to adapt or change his worldview. Thus, as the United States economy descended into catastrophe under his watch, Arthur stuck tight to his personal proclivities *not* to act.

Moreover, Arthur had neither competent nor reliable allies to call upon. Nor did he try to cultivate any. He appointed to his administration a mix of political rivals and personal cronies, often with few qualifications. He then allowed them to run their departments with little guidance, or supervision, from him. The results were generally stagnation and mismanagement. His attempts to balance patronage amongst the factions satisfied neither friends nor foes, hurting his relationship with his own Republican party. And when they lost badly in the 1882 midterms, Republicans resented President Arthur all the more. Also, to the extent that presidential leverage over Congress is important (to provide focus,

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<sup>154</sup> Karabell, 2004: 2, 140.

direction, coordination, and progress), Arthur attempted little of this. Hence, on many important economic issues, Congress either failed to act, acted contrary to Arthur's wishes, or produced muddled and ineffective legislation. To the public, he was a cipher. He spurned the press. He refused to mingle with everyday Americans. He saw no reason to explain himself or his agenda, or lack thereof. In the end, only the country's industrialists and business interests loved him; but only because Arthur stayed in his place. Thus, even if Arthur had embraced presidential activism, and possessed a vision of how to respond to the depression, it is not clear that he had the political allies or public support with which to get much done.

It did not help that Arthur was perhaps the least trusted president on record. His entire political career was steeped in the backroom deals and machine politics. His behavior as president did little to improve this perception. He occasionally spoke bold words about reform, but otherwise seemed intent on perpetuating the rot and corruption that he had brought him into office. On other issues, he could not be relied upon in a political fight. For he only rarely took strong stands, and then backed down or reversed himself when challenged. His inactivity, lack of a clear agenda, poor management skills, failure to communicate, and frequent bungling, did not inspire confidence.

This distrust in Arthur may have bled out to damage public trust in broader political-economic institutions. Perhaps most important, by refusing to emphatically defend the gold standard, Arthur arguably damaged trust in the dollar, so recently hard won by the Hayes administration. On the other hand, by refusing to ease monetary policy, Arthur also failed to provide the stimulus that might have defused the financial crisis and reflatd the economy. In other words, Arthur produced the worst of both worlds: the appearance of weakness on monetary policy abetted the flight of gold from the US economy (and hence a contraction in the money supply), but without the benefits of actual monetary easing, which might have provided significant economic relief.

In sum, Arthur was perhaps one of the weakest, least effective presidents in American history. His behavior as president, alongside the ailing economy, embarrassed the Republican party, and damaged trust in the presidency. Most in Congress and even the executive branch felt comfortable ignoring him. The American public had little regard for him. Therefore Arthur had limited ability to advance or stop

legislation, respond to crises or opportunities, or even simply to administer his own government. Without that trust, under Arthur, there was no general sense that the president, or the federal government, was in control of the situation. Or that he could be relied upon to provide solutions to economic problems or crises. We cannot “turn back the clock” and rerun the 1881-1885 depression with a more visionary, proactive, relationship-savvy, or trustworthy president, and see if such changes made a difference. So these “conclusions” are more properly labeled “hypotheses”. To substantiate them further, we need to see if they are corroborated by similar administrations in other time periods.