

Grover Cleveland and the Gilded Age Economy 1885-1889: Strict Constitutionalism and the Challenge of Recession

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By

**Mark Zachary Taylor
Associate Professor
School of Public Policy
Georgia Institute of Technology
685 Cherry St NW
Atlanta, GA 30332-0345
(FedEx/UPS Zip Code: 30318)
Phone: (404) 385-0600
Fax: (404) 385-4571
contact: mzak@gatech.edu**

ABSTRACT

Does the presidency matter for the nation's short-run economic performance? If so, then by which mechanisms? The two presidencies of Grover Cleveland are coincident with two of worst economic depressions in US history. This provides us with a valuable rarity: a "natural experiment" with which to test several hypotheses and generate new theory. This paper deals with Cleveland's first administration. Cleveland was a clean, but inexperienced and poorly educated, politician who entered office during the apex of this corrupt spoils system, and on the tail of the Smoldering Depression of 1881-1885. Critics thought him a political "dwarf" who lacked "the mental qualifications" for office. One could therefore argue that Cleveland's first administration (1885-1889) simply benefited from good timing. However, there *were* myriad opportunities for Cleveland to passively allow, or actively produce, another financial panic or recession. Instead Cleveland's dedication to a stable, reliable US dollar appears to have been essential to his economic performance. He prevented a run on the US currency and destabilizing capital flight. On the other hand, he failed to effect more positive policy changes. Here Cleveland's problem appears to have been his negative view of government, and of the presidency, as well as his refusal to play the roles of public educator or Congressional deal-maker. These failures would come back with a vengeance during his second term.

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Introduction

The two administrations of Grover Cleveland (1885-1889, 1893-1897) were bookended around the one-term presidency of Benjamin Harrison (1889-1893). Together they provide us with a valuable anomaly: a natural experiment. That is, these two presidents faced nearly identical political-economic conditions, but with differing economic outcomes. In particular, both men repeatedly flirted with economic disaster, especially currency crises. Sometimes they met with success, other times with failure. And each president, in his own way, contributed to the “Great Depression” of 1893-1897. We can therefore compare differences in the men, their ideas and actions, and their leadership styles, to look for insights into the sources of effective management of the economy. Both presidents come out poorly in this analysis, but for very different reasons. This paper will focus on Cleveland’s first term in office.

Grover Cleveland was a clean, but inexperienced and poorly educated, politician who entered office during the apex of this corrupt spoils system, and on the tail of the Smoldering Depression of 1881-1885. Though “without genius or brilliancy”, biographers and contemporaries alike describe him as painfully honest, straightforward, and stubbornly juridical.¹ He tended to distrust people, and put his faith instead in the law. Critics thought him a political “dwarf” who lacked “the mental qualifications” for office.² Conservatives and pro-business interests applauded his “small government” *laissez-faire* doctrine. White Southerners were relieved simply to have a fellow Democrat in office.

Cleveland saw little role for presidents, or governments, in managing the economy. Before entering office, he took extraordinary action to ward off a brewing dollar panic. Thereafter he elected to mostly just cheer or harangue from the sidelines. Many Americans, including Cleveland himself, linked corruption in government with the nation’s economic problems: financial crises, economic recessions, labor strikes, monopoly abuses, and unnecessary trade protectionism. Each of these evils seemed to flow from the spoils system. Hence, Cleveland’s solution, his “North Star”, was to harken back to pre-Civil War democratic ideals. This meant an honest and limited Federal government, run with business efficiency and strictly according to the Constitution. And if government must act, then the intervention should be objective, non-partisan, and minimal. Hence, Cleveland’s numerous vetoes were perhaps his most assertive use of executive power. He used them to strike down hundreds of spending bills that benefited individuals or special interests. But Cleveland’s inflexible attachment to minimal government, and to a restrained presidency, rendered him incapable of actions that might have better grown the economy and prevented the crises that would ruin his second term.

As a whole, the 1880s were rocky years and, during his first term (1885-1889), the strictly constitutional Cleveland oversaw a merely average economy. It grew in some months or years, but not others. Prices rose and fell in tandem with economic growth, but never approached inflation. In fact, the country was plagued by persistent deflation, which meant that real interest rates stayed stubbornly high. Steep interest rates were exacerbated by unreliable gold reserves, resulting in tighter than expected supplies of money and credit. This increased political support for the full legalization of less-valuable silver as US currency. Hence concerns about the value of the US dollar remained a constant menace to investors, especially when Congress proposed that people be allowed to coin cheap silver on demand. A year-long recession struck in the middle of Cleveland’s first administration, mostly due to a wave of blizzards and droughts that devastated the Great Plains and paralyzed the eastern seaboard. But by spring 1888, a rapid recovery was underway. The stock market was highly volatile throughout the period. It skyrocketed a few months after Cleveland took office, but then gyrated wildly downwards throughout the remainder of his first term. International trade grew at a healthy clip every year, but the trade balance collapsed as imports overran exports. Hence trade and tariffs were major campaign issues come 1888. Nevertheless, the federal debt shrank dramatically and the federal budget remained in surplus during Cleveland’s first term. When all these conflicting elements are combined together, over four years, they sum to a relatively mediocre economy. Although individual circumstances were newsworthy, the second half of the 1880s was neither a period of overall economic decline nor one of well-balanced prosperity.

¹ Wilson, Woodrow. 1897. Grover Cleveland as President. *The Atlantic*. (March).

² Cockran, William Bourke. 1884. Comments at the Democratic National Convention. (July). Quoted in Golway, 2014: 139.

Background

Throughout his life, Cleveland was known for two things: hard work and rigid conservatism. Nicknamed “Big Steve” for his unusual height and girth, Stephen Grover Cleveland was born in 1837 to an impoverished, disciplinarian Presbyterian minister. His large family moved frequently around New Jersey and central New York, in constant pursuit of a devoted flock and good paying work. Nevertheless, Grover would always recall his childhood as idyllic.³ As a boy, he aspired to go to college, like his father, grandfather, and brothers. But, after his father’s unexpected death, poor family finances prohibited it.⁴ Grover instead attended local academies, supplemented by homeschooling. Hence, Cleveland was amongst the presidents *least* educated in economics or public policy.⁵ Nor was he especially brilliant. Even his sister admitted that he was “a lad of unusual good sense, who did not yield to impulses...but as a student Grover did not shine.”⁶ And throughout his political career, Cleveland was perceived as being ignorant or simple.

Instead of intellect, Cleveland gained success through his persistence and diligent work habits. As a teenager, he worked as a store clerk, then a bookkeeper and teacher at an asylum for the blind. And due to his lack of college training, he never gave up on self-education as means for advancement. “Every moment of his spare time was given to the hardest kind of study” recalled a fellow teacher.⁷ Yet Grover initially had little direction. “I am kind of fooling away my time” he confessed to his sister.⁸ So, in 1855, he started off for Ohio to train to be a lawyer. He was waylaid in Buffalo by a wealthy uncle, who got Grover hired as a clerk at prominent local law firm. Cleveland worked long hours at the firm, studied intensely, and was admitted to the New York bar by 1859. Three years later he had established his own law practice, and was the chief provider for his mother and sisters. He continued his long office hours and assiduous study of the law, quickly becoming known for being an attorney “[of] patient industry and of downright—and always upright—hard work.”⁹

Buffalo was then controlled by the new Republican party, whose members included many of Cleveland’s family; but Grover was surrounded by Democrats at work. The earnestly serious Cleveland also found the Democratic party “to represent greater solidity and conservatism”, and he felt “repelled” by the “flamboyant and theatrical” leading Republican candidates.¹⁰ Therefore, the businesslike new attorney naturally gravitated towards the Democrats. In local elections, Cleveland volunteered to get men “lined up” to vote for his party, served as a ward delegate, and then a ward supervisor.¹¹ For his efforts, in 1863, he was appointed assistant district attorney of Erie County for two years. Once again, he was recognized for his professionalism, hard work and an almost surgical attention to legal detail. Thus, in 1865, Cleveland was nominated by local Democrats to run for District Attorney, but he was beaten in the election by a Republican.

After his electoral defeat, Cleveland returned to private practice, while continuing to hustle for local Democrats. With his growing reputation for seriousness, honesty, and effort, Cleveland was drafted in 1870 to run for Erie County sheriff, a position usually reserved for party hacks. This was an odd assignment for Cleveland. After all, he was a bachelor who enjoyed saloons, card games, and even occasional barroom fisticuffs.¹² Nevertheless, after winning election, he performed his sheriff’s duties without compromise. He returned to private practice in early 1874 and methodically built his fortune over the next seven years, often working for large corporate clients. Yet again, Cleveland’s integrity and industry attracted the attention of local powerbrokers in the media and politics. Hence, in 1881, when city Democrats needed a clean candidate to battle the notoriously corrupt bi-partisan ring that ran Buffalo city government, they recruited Cleveland to run for

³ Graff, Henry F. 2002. *Grover Cleveland*. New York: Henry Holt and Company.

⁴ Often in poor health, Richard Cleveland died of a stomach malady in October 1853, when SGC was sixteen years old. Tugwell, Rexford G. 1968. *Grover Cleveland*. New York: MacMillan Company.

⁵ Cleveland was also one of only three post-Civil War presidents who received no formal higher education, the others being William McKinley (1897-1901) and Harry S. Truman (1945-1953).

⁶ Margaret Cleveland memo. Quoted in Nevins, Allan. 1932a. *Grover Cleveland: A Study In Courage, Volume I*. Newton, CT: American Political Biography Press: 18-19.

⁷ Crosby, Fanny J. 1909. Cleveland as a Teacher in the Institution for the Blind. *McClure’s Magazine* (March): 581.

⁸ SGC. 1853-1854. Letter to Mary Cleveland. Quoted in Tugwell, 1968: 18.

⁹ Bissell, Wilson S. 1909. Cleveland as a Lawyer. *McClure’s Magazine* (March): 583.

¹⁰ Brodsky, Alyn. 2000. *Grover Cleveland: A Study in Character*. New York: St. Martins: 26.

¹¹ Nevins, 1932a: 45.

¹² At the Buffalo saloons, Cleveland became notorious for leading ceaseless rounds of the drinking song “There’s a Hole in the Bottom of the Sea”. Lachman, Charles. 2011. *A Secret Life: The Lies and Scandals of President Grover Cleveland*. New York: Skyhorse Publishing.

mayor. He campaigned little, relying mostly on his exceptional reputation. He won by a landslide, even receiving support from reformist Republicans willing to cross party lines.

As mayor of Buffalo, Cleveland fought successfully against the party machines and ran an energetic, honest, and efficient city government. He shut down so much dubious legislation that he became known as “the veto mayor”.¹³ And rather than award lucrative city contracts to Buffalo’s political bosses, Mayor Cleveland insisted on competitive bids, which were then evaluated by an independent commission of policymakers and engineers. He personally oversaw city construction projects so as to eliminate patronage, kickbacks, and bribes. Cleveland even nixed the honest shuffling of money from one holiday fund to another because he feared it might violate the public’s intention.¹⁴ Such rectitude and political independence was big news in Gilded Age New York state, which was then infamous for the Tammany Hall political machine, run by Democrats, and the corrupt politics it embodied.¹⁵ And it won Cleveland much attention. His reforms in Buffalo sparked “nothing short of a popular revolt,” recalled a former political rival, “I cannot remember a time when interest in any municipal matter[s] reached such a height.”¹⁶

Hence, after just eleven months as Buffalo’s mayor, Cleveland was recruited to run for Governor of New York by reformers and a public eager for clean government. Again, he won by a landslide. His electoral coattails also brought rare Democratic majorities into both houses of the state legislature. Once in the governor’s office, in 1883, Cleveland again fought corruption, defied the political machines, and ran an energetic, honest, and efficient state government.¹⁷ In just his first two months, he vetoed eight extraneous budget bills, even well-intentioned spending on veteran’s monuments, library tax breaks, and money for new fire engines. In denying such government largess, Cleveland predicted that “I shall be the most unpopular man in the state of New York.”¹⁸ Yet many of the major newspapers, and the public, applauded him. He continued to reject his party’s patronage requests, infuriating many Democrats. “Tammany was not guaranteed a single one— not so much as a night watchman at Castle Garden” grouched one spoilsman.¹⁹ Cleveland also sought to be a non-partisan “unifier”. For example, he supported a powerful civil service reform law put forward by a young Republican legislator, Teddy Roosevelt.

*Election of 1884*²⁰

The cycle now repeated itself at the national level. Cleveland the honest, efficient governor who was cleaning up New York state politics, swiftly became national news. *The Nation* soon praised “the well-known and respected features of the present Governor of New York”²¹, while the *Harper’s Weekly* political cartoonist portrayed Cleveland as subduing the Tammany tiger. Anti-monopolists were not pleased with Cleveland’s laissez-faire philosophy, however, and considered him a tool of the corporations. Nevertheless, after only eighteen months as governor, the Democrats nominated Cleveland as their Presidential candidate in 1884. He had proved himself against the city and state bosses; reformers now wanted him to clean up Washington D.C. “They love Cleveland for his character, but they love him also for the enemies he has made” proclaimed one supporter.²² Cleveland’s opponent, Senator James G. Blaine, was a moderate Republican faction-leader who had stridden the national political stage since the late 1860s. But after two decades in office, Blaine now stood

¹³ Brodsky, 2000.

¹⁴ He instead headed a movement to raise the money anew via private donations.

¹⁵ Riordon, William L. 1963. *Plunkitt of Tammany Hall*. New York: Dutton; Myers, Gustavus. 1971. *The History of Tammany Hall*. Second Edition. New York: Dover Publications; Golway, 2014.

¹⁶ Weber, John. Quoted in Armitage, Charles H. 1926. *Grover Cleveland as Buffalo Knew Him*. Buffalo, NY: Buffalo Evening News: 101-102. Specifically refers to Cleveland’s veto of corrupt street-cleaning contract.

¹⁷ Historian Mark Summers, however, argues that Cleveland’s “reputation as a machine smasher was slightly misleading. Cleveland fought Tammany. He got along much better with the Brooklyn machine.” Summers, Mark Wahlgren. 2000. *Rum, Romanism, & Rebellion: The Making of a President, 1884*. Chapel Hill, NC: University of North Carolina Press: 122.

¹⁸ This quote specifically references Cleveland’s veto of a bill to halve and standardize elevated railway fares. Nevins, 1932a: 116.

¹⁹ *The Buffalo Commercial*. 1883. (May 7).

²⁰ An excellent and thorough account of the 1884 election can be found in Summers, 2000.

²¹ *The Nation*. 1884. (May 29) 987:456.

²² Bragg, Edward (General), 1884. (July 10). Quoted in Nevins, 1932a: 153.

“accused of every roguery from shaking down a railroad to guano speculations” and had accumulated a reputation for being “a man who has prostituted public office to private gain and lied about it...”²³

The two parties’ platforms were nearly indistinguishable in 1884, and neither side emphasized policy differences in their campaigns. Both called for higher tariffs, worker protections, and new limits on Chinese immigration.²⁴ Republicans wanted to strengthen railroad regulation. Democrats advanced a foreign policy based on a new Pan-Americanism. For the first time in twenty years, race, Reconstruction, and the Civil War were barely mentioned.²⁵ Rather, widespread concern with “frauds and jobbery...in every department of the Government” was the top issue for both spoilsmen and reformers.²⁶ This meant that trust, integrity, and “manliness” in battle against the political machines, became top priorities for voters. Hence, the campaign rapidly descended into a series of well-orchestrated personal attacks and scandal-mongering in what has been stereotyped as “the meanest and most meaningless campaign of the Gilded Age”.²⁷ Accusations of fraud, embezzlement, adultery, bastardy, drunkenness, religious impiety, and domestic violence were regularly plastered across the nation’s newspapers.

The 1884 election results were narrow and divided. Although reform appealed to some voters, many Republicans still savored power and patronage; even more feared government by Democrats, in whom they saw “the worst elements of [the] population”, and Cleveland, in whom they saw an uneducated “rural sheriff”.²⁸ In the North and mid-West, the Prohibition Party and Greenback Party each made relatively strong showings, together garnering between 3-11 percent of the popular vote in over a dozen states.²⁹ As a result, Cleveland won by a tiny margin, just 57,000 votes out of 10 million cast. In fact, with just under 49 percent of the popular vote, he was a minority victor. Congressional elections too were closely split. Despite losing a dozen seats, Democrats held on to 56 percent of the House, while Republicans kept their slim 52 percent majority in the Senate. Nevertheless, after enduring the “stolen election” of 1876 and the failings of Republican Chester Arthur’s indifferent presidency (1881-1885), Democrats and reformers felt that they finally had their man in the White House.

Cleveland’s Vision

Cleveland was not a deep thinker or theorist. He had few original ideas. He was not a policy devotee. As a Presidential candidate, he freely admitted that “he had not studied national questions deeply”.³⁰ Even on his signature issue, civil service reform, historians report that often “his role was more passive than active; he did little to push reform measures. He simply let the public know that he favored reform and stood out of their way.”³¹ And having risen through the ranks of executive power in just two years, he entered the White House with few policy prescriptions and without a comprehensive program for the country.

²³ Summers, 2000: xi; *New York Times*. 1884. (October 31); Schurz, Carl. 1884. Why James G. Blaine Should Not Be President. Speech at Brooklyn, New York (August 5). Reprinted in Frederic Bancroft (ed.) 1913. *Speeches, Correspondence and Political Papers of Carl Schurz, Volume IV*, New York: G. P. Putnam’s Sons: 224-272.

²⁴ Republicans and Democrats had not yet split along capital-labor lines; such fissures would await the next decade.

²⁵ Debate on these issues would have split Democrats while, in 1884, Northern Republicans still hoped to court Southern voters, and neither presidential candidate had served during the war. Therefore, they were generally neglected.

²⁶ Democratic Party Platform of 1884. (July 8). Party Platforms Online by Gerhard Peters and John T. Woolley, The American Presidency Project <https://www.presidency.ucsb.edu/node/273184>

²⁷ Summers 2000: 312; Rosenberg, Marvin and Dorothy. 1962. The Dirtiest Election. *American History* 13(5): 4-100.

²⁸ Hay, John. 1884. Letter to Richard Watson Gilder. (July 11). Quoted in Clymer, Kenton J. 1975. *John Hay: The Gentleman as Diplomat*. Ann Arbor, MI: University of Michigan Press: 54. Democrats were then seen by Republicans as representing the rabble of uneducated, uncultured Americans, including recent immigrants with values alien to traditional Protestant hard work and moral rectitude. Golway, 2014.

²⁹ Albeit not enough to earn any electoral votes nor to send more than a single representative to Washington DC, and only 1.83 percent of the national vote; still, an historically strong turnout for third-parties. Meanwhile, intimidation and fraud throughout the South drove many Republican and third-party voters away from the polls in these states. Summers, 2000; Martis, Kenneth C., Ruth A. Rowles, and Gyula Pauer. 1989. *The Historical Atlas of Political Parties in the United States Congress, 1789-1989*. New York: Macmillan Pub. Co.

³⁰ Stoddard, Henry L. 1927. *As I Knew Them: Presidents and Politics from Grant to Coolidge*. New York: Harper: 143.

³¹ For example, in 1884, 10.5 percent of federal jobs were “classified” as competitive, in which hiring was based on exams. After four years of Cleveland, not quite 8800 jobs had been added to the classified list. Thus, in 1888, the ratio had increased only to 15 percent. Perhaps the major exceptions were Cleveland’s fights to repeal the Tenure of Office Act and to lower tariffs. Summers, 2000; Table Ea894-903 Federal government employees, by government branch and location relative to the capital: 1816-1992. *HSUS*.

He largely blamed the nation's economic troubles on corruption and irresponsibility.³² Politics had fallen into "fraudulent and corrupt practices" resulting in "wasteful public extravagance" which, he thought, were the ultimate causes of the nation's economic troubles.³³ Specifically, he believed that the spoils system and government mismanagement fostered financial speculation and over-investment in politically favored sectors. Everyday Americans then imitated government with their own foolish excesses because, as Cleveland argued, "...public extravagance begets extravagance among the people."³⁴ He also maintained that corruption and partisanship in Federal spending eroded trust in the US economy, in the Federal government's ability to pay its debts, and hence in the entire US financial system. Thus, he likely perceived the 1881-1885 depression as a form of mass economic judgement. It was akin to a financial vote of no-confidence on corrupt, inefficient government. America had gone off its Constitutional rails. So, in order to mend the economy, Cleveland believed that American politics must get back on its traditional and legal tracks.

As consequence, Cleveland possessed a near religious devotion to two beliefs about executive leadership. The first was that he should provide a government that was strictly Constitutional. It must be fair and objective, above party or faction, and immune to pleas for special favors or subsidies. From his earliest political speeches to his final addresses, he held that "public office is a public trust".³⁵ More specifically, he insisted that "[p]ublic officers are the servants and agents of the people to execute laws which the people have made, and within the limits of a constitution which they have established."³⁶ This meant strict limits on party loyalty. "Party men we *may* all well be;" he wrote later in life, "but only with the reservation that thoughtful and patriotic citizens we *must* be."³⁷

The second was that he should provide a government that was small, efficient, and run more like a business. Spending should not exceed revenues. Contracts and hiring should be based on ability and fit, not on political alliances. And "...all unnecessary offices should be abolished, and all employment of doubtful benefit discontinued."³⁸ For Cleveland believed that "...the application of business principles to public affairs" would rebuild investor trust and reduce waste.³⁹ A small, business-like government was also a government that could do less harm to the people, and to democracy itself. Fewer actions taken by government officials meant fewer actions that could be corrupted or wasted.

Thus Cleveland tended to oppose any government expenditure, even benevolent, that was not approved by the voters and in accordance with the Constitution. To Cleveland, every spending bill stank of favors to some political machine, special interest, or individual. He particularly opposed most forms of government welfare. He insisted that public assistance "would necessarily produce more unfairness and unjust discrimination and give more scope for partisan partiality, and would result in more perversion of the Government's benevolent intentions...".⁴⁰ Such convictions would forever taint him with a reputation of "indifference to human suffering and poverty".⁴¹ Because, other than federal pensions for war veterans and their dependents, the Gilded Age had no social safety net for the elderly, sick, poor, or unemployed. The boss system, albeit inefficient and corrupt, did provide a rough form of welfare to lower income Americans, especially recent immigrants piling into the nation's cities. And for all Cleveland's principled objections to that system, he proposed no alternatives other than private charity.

As for his administration, Cleveland sought a passive, strictly Constitutional presidency. Cleveland constantly reminded Americans that "It should be remembered that the office of the President is essentially executive in its nature. The laws enacted by the legislative branch of the government, the Chief Executive is bound faithfully to enforce."⁴² Policymaking would be left to legislators. The executive's job was to prevent

³² Welch, Richard E. Jr. 1988. *The Presidencies of Grover Cleveland*. Lawrence, KS: University Press of Kansas.

³³ SGC. 1882. Letter Accepting Nomination for Governor of New York. (October 7); SGC. 1886. Annual Message to Congress (December 6).

³⁴ SGC. 1885. First Inaugural Address. (March 4).

³⁵ This particular wording was a campaign catch-phrase created by a journalist after studying Cleveland's speeches and consulting him. See Brodsky, 2000: 41-42.

³⁶ SGC. 1882. Letter Accepting Nomination for Governor. (October 7).

³⁷ SGC. 1897. *The Self-Made Man in American Life*. New York: T.Y. Crowell: 30.

³⁸ SGC. 1883. First Message to the New York Legislature. (January 2).

³⁹ SGC. 1885. First Inaugural Address. (March 4).

⁴⁰ SGC. 1887. Veto of Military Pension Legislation. (February 11).

⁴¹ Welch, 1988: 18.

⁴² SGC. 1884. Letter of Acceptance of the Nomination for President. (August 18).

them from making unconstitutional mistakes. If the people did not like the nation's laws or policies, then they could vote for representatives to change them. In practice, Cleveland often governed like a lawyer; hence he was a "stickler for legalism and the rights of property," notes one historian of the period.⁴³

But in doing so, Cleveland also committed himself, and the country, to a political-legal system not yet equipped to govern the powerful, often vicious, forces of the late 19th century industrial capitalism.⁴⁴ For decades, railroad corporations had used anti-competitive practices to exploit farmers and small businesses.⁴⁵ "These vast and powerful corporations have inaugurated a series of abuses...debauched and demoralized our Courts and Legislatures...robbed the nation...flooded the land with worthless stocks...trampled upon individual and public rights and liberties" howled their critics.⁴⁶ Now, during the mid-1880s, similarly harmful monopolies were forming in steel, copper, coal, iron, flour, sugar, telephones, and other essential industries.⁴⁷ And as industry gradually displaced small farms as employers, a new class of impoverished industrial labor had arisen. Hundreds of thousands of transportation, manufacturing, and mine workers now toiled away long hours for subsistence wages under brutal conditions. An industrial aristocracy seemed to be forming. The original US Constitution provided little recourse, having been written for an agricultural economy, and not designed to deal with such challenges.⁴⁸

Finally, Cleveland was infamously rigid in his views. His lack of trust in people, with their implacable greed and self-seeking behavior, constantly led him back to the law. Historians describe him as "bull-headed"⁴⁹ and "stubborn"⁵⁰, and even contemporary admirers called him "inflexible"⁵¹. His critics were even less diplomatic. For example, future Republican statesman John Hay nicknamed his most ornery mule "Grover Cleveland",⁵² while the acerbic editor of the Texas *Iconoclast* opined "Cleveland is a 'strong man' exactly as the hog is a strong animal. Stubborn without courage, persevering without judgment...There are several other points of resemblance; but I have no desire to be hard on the hog."⁵³ Supporters cheered Cleveland's steadfast loyalty to his, and their, ideals. But in practical terms, such inflexibility meant that the obstinate Cleveland had trouble adapting his philosophical worldview in order to take advantage of real opportunities or avoid economic crises.

The Smoldering Depression of 1881-1885

Cleveland's election came amidst the trough of the Smoldering Depression of 1881-1885.⁵⁴ It had started as a typical business slowdown during autumn 1881. But it was accelerated by a boom in European agriculture in 1882. As global exports of meat and grains glutted the food supply, farm prices and incomes tumbled in America. So too fell the profits of suppliers, railroads, and the banks that catered to agriculture. The following year, during 1883, mounting bankruptcies in these sectors began to injure the nation's broader loan and credit institutions. Then, in mid-1884, these conditions combined with a series of well-publicized bank

⁴³ Summer, 2000: 121.

⁴⁴ Summer, 2000; Welch 1988.

⁴⁵ Usselman, Steven W. 2002. *Regulating Railroad Innovation: Business, Technology, and Politics in America, 1840-1920*. New York: Cambridge University Press.

⁴⁶ McCabe, James D. 1873. *History of the Grange Movement, or The Farmer's War Against Monopolies*. Philadelphia: National Publishing Company: 7.

⁴⁷ Enabled in part by the economic downturns of 1873-1878 and 1881-1885, which allowed the major producers to either buy up or drive out their smaller competitors.

⁴⁸ McCraw, Thomas K. 1984. *Prophets of Regulation: Charles Francis Adams; Louis D. Brandeis; James M. Landis; Alfred E. Kahn*. Cambridge, MA: Belknap Press of Harvard University Press; Geisst, Charles R. 2000. *Monopolies in America: Empire Builders and Their Enemies from Jay Gould to Bill Gates*. New York: Oxford University Press.

⁴⁹ Summers, Mark W. 2008. A Good Man is Hard to Take: Grover Cleveland – Man of Destiny. (February 17). Lecture Presented on the occasion of the 19th annual Hayes Lecture on the Presidency. Spiegel Grove, Fremont, OH: Rutherford B. Hayes Presidential Library & Museums <https://www.rhahayes.org/hayes/a-good-man-is-hard-to-take-grover-cleveland-man-of-destiny/>

⁵⁰ Brodsky, 2000: 24.

⁵¹ Charles Evans Hughes (future New York Governor, US Secretary of State, and Supreme Court Justice). Quoted in Hugins, Roland. 1922. *Grover Cleveland: A Study in Political Courage*. Washington, D.C. Anchor-Lee Publishing Company: 92.

⁵² Clymer, 1975: 58.

⁵³ Clymer, 1975: 58; William Cowper Brann. Quoted in *O Dammit!: A Lexicon and Lecture from William Cowper Brann, the Iconoclast* by Jerry Flemmons. 1998. Lubbock, TX: Texas Tech University Press: 26.

⁵⁴ The trough is believed to have occurred sometime during the second quarter of 1885, likely in May. Glasner, David. 1997. *Business Cycles and Depressions*. New York: Garland Publishing: 732-733, citing the Center for International Business Cycle Research Columbia University, New York, NY, November 1995; US Business Cycle Expansions and Contractions, National Bureau of Economic Research: Cambridge, MA. <http://www.nber.org/cycles/cyclesmain.html>

failures and financial frauds in New York City, resulting in a panic on Wall Street. The entire US economy then sagged through early 1885, possibly an overall contraction of 25 percent, with nationwide unemployment running as high as 13 percent.⁵⁵

As for Cleveland, he saw no use for intellectual theory and no duty for presidents to mend economic downturns. He never mentioned the depression during his election campaign; nor after he was inaugurated. Time and anti-corruption reforms were the best remedies. Action by the federal government action was not only unconstitutional, it would also encourage more bad behavior. The best remedy was clean, restrained, constitutional government.

1885: Silver vs. Gold

Nevertheless, Cleveland did worry about the US dollar and America's creditworthiness. Hence Cleveland's first action to safeguard the economy involved the perennial contest between silver and gold. And he took it before even entering the White House.

Some history here is useful. Since the mid-1870s, Americans had waged an ongoing political battle between those who sought to join the international gold standard (often Eastern financial interests, shippers, and importers) versus pro-silver interests (small businesses and farmers in need of credit, Western miners). The official dollar values of gold and silver coins had been set by federal law back in 1792 and were revised only occasionally, if at all.⁵⁶ Hence the free-market price of *uncoined*, bulk metal "bullion" might differ from that of *coined* specie. At first, neither metal was produced much in the US. This forced early Americans to earn their gold and silver currency through exports and by attracting foreign loans and investment. This changed after 1848, when vast gold deposits were discovered in California. In 1859, even larger silver deposits were found in Nevada.⁵⁷ But the dollar value of silver bullion was often higher than that of federally coined silver, especially on European markets.⁵⁸ So most American silver eventually found its way abroad. The Civil War added inflation to the mix. The wartime printing of paper greenbacks, along with vast oversupplies of domestic silver, caused silver to lose over half its value relative to gold on American markets. Meanwhile, Great Britain, Germany, and other major economic powers were gradually adopting the gold standard, making gold coins and bars the preferred currency for international trade and finance. Hence silver coins had largely fallen out of use in the United States by 1870.⁵⁹

In an attempt to eliminate silver coins entirely, and to hasten the US towards the gold standard, pro-gold advocates in Congress passed the 1873 Coinage Act to demonetize silver. It ended the US Mint's practice of coining silver upon demand, and it eliminated silver coins as legal tender for transactions over five dollars. Henceforth, silver coins could be used in private transactions, but the federal government might not accept them. The bill aroused little opposition at the time. Gold supporters cheered the act, few others cared. But the successful exploitation of silver deposits in Nevada, Colorado, Idaho, and Montana during the 1870s changed the political calculus. Soon the US was producing half the world's silver, but there was little demand for it at home. Meanwhile, the rapid paydown of federal war debts by Presidents Grant and Hayes, combined with the Panic of 1873, drastically reduced the supply of money and credit available in the US. Therefore, in 1878, Congress had passed the Bland-Allison Act over the veto of President Hayes. It restored silver coins as full legal tender and *required* the Treasury to accept between \$2 million and \$4 million worth of silver bullion for coinage annually. This would increase domestic demand for silver, while simultaneously improving supplies of money and credit. But since silver bullion, by weight, was now worth only around 80 percent of gold, many feared Bland-Allison's effects on US creditworthiness. "Will any bank, can any bank, receive from depositors silver worth eighty cents to the dollar, and pay out in gold on depositors' checks worth one hundred cents to the

⁵⁵ Glasner, 1997: 150; Skrabec, Quentin R. *The 100 Most Important American Financial Crises*. Santa Barbara, CA: Greenwood: 103.

⁵⁶ The value of federally minted US silver coins was set by Congress at \$1.29 per ounce in 1792 and remained there until silver was demonetized in 1879. The value of federally minted gold coins was slightly less constant, but also set by Congress at \$19.39 (1792), \$20.69 (1834), \$20.67 (1837). Otherwise, gold and silver *bullion* (i.e. uncoined, bulk metal) was traded on free-markets where prices were determined by supply and demand until 1933, when President Franklin D. Roosevelt pulled gold from circulation and made private ownership of gold illegal. Table Cj108–112 U.S. monetary standards – official value of the dollar: 1792–1973. *HSUS*.

⁵⁷ Domestic silver production took off a few years later. Table Db87–95 Metal production – bauxite, aluminum, magnesium, gold, and silver: 1834–2000. *HSUS*.

⁵⁸ Price of Bar Silver for London, Great Britain, Dollars per Fine Ounce, Annual, Not Seasonally Adjusted. NBER Macrohistory Database. <https://www.nber.org/databases/macroeconomy/contents/>

⁵⁹ Table Cj54–69 Currency in circulation, by kind: 1800–1999. *HSUS*.

dollar?" fretted *The Nation*.⁶⁰ Creditors who were owed gold would flee the US in fear of being paid in cheap silver, and a financial panic would ensue. Trade and investment contracts with gold standard countries would also become more difficult. The administrations of Hayes, Garfield, and Arthur had therefore kept silver coinage to its legal minimum and no crisis occurred.⁶¹

The Smoldering Depression of 1881-1885 and the banking crises of 1884 threatened to wreck the situation. As the economy slowed, Americans began to use silver, or paper greenbacks, to pay their debts and taxes; meanwhile America's foreign creditors demanded payment in gold. With silver and paper money going into the US Treasury, and gold bleeding out, the Federal government was on track to drop dangerously below the \$100 million threshold in gold reserves recently legislated by Congress.⁶² By early 1885, the amount of gold held by the US Treasury had already fallen by a third and showed no signs of slowing.⁶³

America's ability to fully pay its debts was now in question.⁶⁴ US banks had already begun stockpiling gold in expectation of a crisis. Cleveland's election provided no relief. Whether it was fears of the first Democratic administration in decades, or trepidation about the nation's dwindling gold supplies, the stock market tumbled for weeks starting in mid-November. Chester Arthur, still president, showed little inclination to intercede; he was by now an ineffective and disengaged lame-duck.

Frightened policymakers instead reached out to the newly elected Grover Cleveland for action. A month before his inauguration, Cleveland received an urgent message from a senior Congressman warning him that "The stock of gold in the Treasury is being exhausted and cannot be replenished...already the banks and trust companies are hoarding."⁶⁵ Cleveland, acting as a private citizen, signed a rare private letter to Congress warning that "It is of momentous importance...to prevent the increasing displacement of gold by the increasing coinage of silver."⁶⁶ He cautioned that "our danger, and our duty to avert that danger, would seem plain...", and he urgently recommended "a present suspension of the purchase and coinage of silver."⁶⁷ Congress overwhelmingly rejected his suggestions. Cleveland then allowed his letter to be published in the nation's leading newspapers. In an age when even sitting Presidents left policy to Congress, such a strongly worded statement from an incoming executive was striking. Critics called it a "fundamental blunder" and "flunkeyish".⁶⁸ But such an unusual show of force by the president-elect had the effect of calming financial markets for the few weeks until Cleveland's administration began.

Then, immediately upon entering office, President Cleveland and his Secretary of the Treasury took action to defend the dollar. They suspended the previous administration's accelerated bond redemptions. This reduced the outflows of gold and allowed incoming Federal revenues to pile up. Also, wherever possible, Cleveland ordered the Federal government to pay out in paper greenbacks rather than in gold or silver. The economic recovery, begun around May 1885, further aided inflows of specie. As a result, by early 1886, the Treasury vaults were flush with gold. The currency crisis of winter 1884-1885 was averted and soon forgotten.

But Cleveland then halted his assault on silver. His negative view of government overrode his desire to take further action. He had the allies necessary, and the public sufficiently educated, to lead a repeal of pro-

⁶⁰ *The Nation*. 1884. (974):182. (April 3).

⁶¹ Though Milton Friedman has argued that demonetizing silver created economic instability, hence the 1873 Coinage Act was "a mistake that had highly adverse consequences"; others disagree. See Friedman, Milton. 1990. *The Crime of 1873*. *Journal of Political Economy* 98(6): 1159-1194; Velde, François R. 2002. *The Crime of 1873: Back to the Scene*. Federal Reserve Bank of Chicago. Working Paper WP 2002-29.

⁶² According to the National Bank Act of 1882 which stated that "...the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars".

⁶³ National Bureau of Economic Research, *Gold Held in the Treasury and Federal Reserve Banks for United States*. NBER Macroeconomic Database. <https://www.nber.org/databases/macroeconomic/contents/>

⁶⁴ When in, early 1885, the US Treasury paid some of its debts in silver, possibly to test the market's reaction, the foreign business press warned its readers that further debt payments in silver "would be tantamount to a confession on the part of the [US] Government that it is unable to maintain payments on the gold basis..." *The Economist*. 1885. (February 14). 43:192.

⁶⁵ Hewitt, Abram S (Chairman of the House Ways and Means Committee). 1885. Letter to SGC (February 2). Quoted in Nevins, 1932a: 202.

⁶⁶ SGC. 1885. Letter to Hon. A.J. Warner and others, Members of the Forty-eighth Congress. (February 24). Printed in *New York Tribune*, *New York Sun*, and others (February 28).

⁶⁷ SGC. 1885. (February 24).

⁶⁸ *New York Sun* 1885. (March 1); *New York Tribune*. 1885. (February 28).

silver legislation passed under the Hayes administration.⁶⁹ Cleveland might even have created an omnibus bill combining monetary reforms with tariff reductions. After all, he had the support of party members who urged precisely such action, and major newspapers predicting it to the public. A Congressman then observed "...he had the game in his own hands. The opposition to his policy was melting away like snow in a thaw."⁷⁰ However, Cleveland believed that such actions by a President would tread unconstitutionally upon Congressional ground. He therefore strictly limited the advocacy and pressure he applied to Congress to mere policy recommendations in his December 1885 annual message to Congress. So the issue died. This refusal to act forcefully in 1885-1886 would haunt him during his second term, when pro-silver legislation would trigger a deep recession.

Reform

Instead, Cleveland threw himself into rooting out corruption and waste in government; for those are what he believed to be the true sources of the economic recession. "Our citizens have the right to protection from the incompetency of public employees who hold their places solely as the reward of partisan service" he declared in his inaugural address.⁷¹ Such a pledge was considerable. The federal government then employed over 134,000 people; only 16,000 of whom were in the new "classified" civil service jobs mandated by the 1883 Pendleton Civil Service reforms.⁷² These "classified" men had to earn their positions through civil service exams. Most of the remainder were to be appointed by the new president. Reformers were concerned that Democrats, eager to plunder federal spoils for themselves, would ignore the recent Pendleton reforms, kicking off a new cycle of corruption. Months before his inauguration, Cleveland soothed these fears. In a letter to the National Civil Reform League, he promised that "practical reform in the civil service is demanded...I regard myself as pledged to this".⁷³ Even privately, Cleveland declared to colleagues "Henceforth I must have no friends", signaling his intent to defy demands for patronage, even from political allies.⁷⁴

He was mostly true to his word. For his cabinet, Cleveland selected no party bosses nor spoilsmen. He instead assembled a team that was geographically diverse, but unified in their relative competence, discretion, integrity, and dedication to Cleveland's vision. There were no dynamic innovators or great leaders amongst Cleveland's cabinet, just honest and hard-working men. His cabinet was also heavily drawn from conservative, pro-business communities, rather than from agriculture or labor. "It is distinctively representative of the interests of the Eastern half of the country" complained the Chicago press.⁷⁵ Hence the administration had a general tilt towards *laissez-faire* government that, at least since the 1870s, most favored big business. Cleveland's management style was to rely upon his cabinet for advice, and even to delegate considerable authority to them in their departments. But he always reserved final decisions for himself.⁷⁶

In a bold reformist move during his first days in office, Cleveland directed his Cabinet and their assistant secretaries to clean their departments of inefficiency and corruption. And, loyal to Cleveland's vision, his cabinet eagerly pursued the task. Entire departments were quickly reorganized to be run according to modern business practices, rather than as sources of political favors. As early as August 1885, Pulitzer's *New York World* was proclaiming that Cleveland "...has already in a little more than five months destroyed nests of corruption in the Navy Department, the Treasury, the Indian Bureau, the Land office, the Coast Survey, and the War Department."⁷⁷

At first, the spoilsmen and political bosses revolted against Cleveland. After decades out of power, the Democrats now had their first president in twenty-five years. They wanted the same patronage that the Republican presidents had doled out since 1861. But Cleveland stubbornly refused to promote or hire friends or political allies *carte blanche*. He even kept Republican appointees in place if they had performed well, and he

⁶⁹ Specifically, the 1878 Bland-Allison Act, which mandated the federal purchase and coinage of silver. In an opposing view, biographer Richard E. Welsh has argued that "Even had Cleveland acted more forcefully or with more political finesse, it is doubtful that he could have gained victory, so numerous were the silver men in both houses of Congress." Welsh, 1988: 82.

⁷⁰ *New York Herald*. 1886. (January 6). Quoted in Nevins, 1932a: 271.

⁷¹ SGC. 1885. First Presidential Inaugural Address. (March 5).

⁷² Table Ea894-903 Federal government employees, by government branch and location relative to the capital: 1816-1992. *HSUS*.

⁷³ SGC. 1885. Letter to George William Curtis. (December 25).

⁷⁴ Quoted in Quoted in McElroy, Robert McNutt. 1923. *Grover Cleveland: The Man and the Statesman: An Authorized Biography, Volume I*. New York: Harper & Brothers: 100.

⁷⁵ *Chicago Tribune*. 1885. (March 15).

⁷⁶ Welsh, 1988; Nevins, 1932a.

⁷⁷ *New York World*. Aug 13, 1885. Quoted in Nevins, 1932a: 215.

gave no rewards to Democrats for mere political service or party loyalty. By summer, political observers were either celebrating or critiquing Cleveland's refusal to play the patronage game for his party. Some Democrats were furious, many feared loss of votes and supporters in the next elections. So, in order to prevent a schism within the Democratic party, Cleveland began to compromise on patronage during autumn 1885, but mostly just for low-level jobs in the postal service.⁷⁸

An Unstable Economic Recovery: 1885-1886

The economy began to improve sometime during late spring 1885. After the gold and banking crises had been resolved, and confidence restored, the depression essentially burned itself out. Inventories emptied and demand revived. After a tentative summer, industrial production surged ahead strongly that autumn. The recovery then continued, with few interruptions, for a solid year. By March 1886, the new Bureau of Labor was reporting "the effects of the depression are wearing away, and all the indications are that prosperity is slowly, gradually, but safely returning."⁷⁹ Cleveland likely believed that the economy was responding positively to his administration's campaign to reduce waste and corruption in the federal government. For on economic policy, he had gone dormant. After his brief but energetic defense of the gold standard in early 1885, little had issued forth from the White House on the economy for the remainder of the year.

Then, in early December 1885, he delivered a seventy-page Annual Message to Congress. It was the longest ever at the time, and it came packed with policy recommendations. Newspapers eagerly predicted fierce battles with Congress to enact them. And yet, Cleveland assured friends "I did not come here to legislate".⁸⁰ It had been his Constitutional duty to present an annual report to Congress, within which he might make suggestions. But those were his legal limits. To the public, he explained "I...insist upon the entire independence of the executive and legislative branches...I have certain executive duties to perform; when that is done my responsibility ends...The Senators and members have their duties and responsibilities."⁸¹ Strict constitutionalism was working; he would stick to a restrained presidency.

In fact, his dogged insistence that, as president, he keep his constitutional distance from economic legislation emboldened pro-silver forces. Their counter-attacks on gold began soon after Congress reconvened in early March 1886.⁸² Angry Democrats swore that adherence to the gold standard was "a repudiation of the policy of [the Democrats] and a complete acceptance of the financial policy of the Republican Party which had been overthrown in 1878."⁸³ Western states which produced silver still sought to increase demand for it. They were joined by farmers and small businessmen who still wanted increased silver supplies as a basis for badly needed credit and investment.⁸⁴ The leader of the Senate Democrats therefore submitted a bill to formally place the US on a bi-metallic (silver and gold) standard.⁸⁵ Because silver bullion was then legally priced in dollars at only ~85 percent worth its weight in gold (i.e. undervalued), this would lead people to hoard gold and conduct commerce in silver, thereby driving gold out of circulation. American gold would eventually find its way overseas where its full value would be recognized, placing the US on a *de facto* silver standard. "[W]e shall gradually but surely be stripped of our gold and loaded down with the silver from other countries" warned the *New York Times*.⁸⁶ Problems in trade with, and debts to, countries on the gold standard would soon follow. The bimetalism bill was narrowly defeated in a bipartisan vote.

As silver advocates in Congress planned their next move, gold supporters prodded Cleveland to act more decisively. Yet, deep into summer 1886, Cleveland was still assuring a powerful pro-silver Congressman,

⁷⁸ Ultimately, Cleveland was relieved of violating his principles, and breaking campaign promises about defying patronage, when, during 1886, his Republican predecessor's appointees began to cycle out of their federal appointments, allowing Cleveland to send more Democrats into the Federal government.

⁷⁹ Wright, 1886: 290.

⁸⁰ SGC. 1885. Letter to Wilson Bissell. (December 27). Quoted in Nevins, 1932a: 270.

⁸¹ SGC. 1886. *Chicago Tribune*. (January 6).

⁸² Timberlake, Richard H. 1993. *Monetary Policy in the United States: An Intellectual and Institutional History*. Chicago: University of Chicago Press: 154-160.

⁸³ Culberson, David B (D-TX). 1886. Quoted in *New York Times* (March 28).

⁸⁴ Investment capital was far more accessible in the northeastern states, with their thriving trade, industry, and financial sectors, than in the west, which was still being settled. Murtazashvili, Ilia. 2013. *The Political Economy of the American Frontier*. New York: Cambridge University Press.

⁸⁵ Senator James B. Beck (D-KY), Chairman of the Senate Democratic Caucus 1885-1890.

⁸⁶ *New York Times*. 1886. (March 18).

“...I am not at all inclined to meddle with proposed legislation while it is pending in Congress.”⁸⁷ Encouraged by this, the House passed a bill designed to force the Treasury to resume accelerated bond buy-backs. Its declared intent was to pay down the national debt, reduce interest rates, and increase the availability of money and credit. But in practice, it would have forced the Treasury to spend down its gold stocks. It therefore represented an indirect, and poorly veiled, attempt to force the country onto cheap silver. The buy-back bill passed the House in mid-July 1886, by a large majority and with considerable Democratic support. A watered-down version then passed the Senate. Cleveland feared any version would “endanger and embarrass the successful and useful operation of the Treasury Department and impair the confidence which the people should have in the management of the finances of the government.”⁸⁸ Nevertheless, rather than take a strong public stand, he instead let the bill expire quietly with a pocket veto.

With the threat of additional pro-silver legislation growing, Cleveland finally took action to defend the Treasury’s holdings of gold. He ordered silver-backed certificates to be printed in small denominations (those used for most daily purchases), while gold-backed certificates were restricted to large denominations (so as to reduce demand for them). In a similar attempt to reduce the circulation of greenbacks, Cleveland began to substitute large denominations for small as they came into the Treasury. But that mostly exhausted the tools then available to the executive branch. If Cleveland wanted stronger remedies then he needed new legislation from Capitol Hill. Yet other than make occasional recommendations to Congress, Cleveland stubbornly refused to lead any battles there for the remainder of his first term in office. To his mind, it was not presidential. Ultimately, this would cause major problems for his successor, and worse for Cleveland in his second term.

Labor Unrest and the Haymarket Riots

Labor posed another economic problem for Cleveland. Although the Depression of 1881-1885 was finally easing, its depth and duration had taken a deep toll on American workers. After years of declining wages and lengthening work hours, labor unrest peaked during 1886. Union membership soared to over 1.2 million, a record not surpassed until fifteen years later. “History is on the move over there at last” rejoiced Friedrich Engels in London.⁸⁹ Labor leaders demanded four things: an eight-hour workday, steady wages, restrictions on immigrant labor, and an end to convict labor. And when they did not get them, the unions struck. In 1886, the number of strikes doubled from the previous year, involving over 600,000 workers.⁹⁰ Operations were frequently shut down at the nation’s mines, factories, and railroads. Violence erupted as strikers fought bloody street battles against law enforcement, vigilantes, and scabs. The public lived in constant anxiety. The *New York Sun* warned its readers that union leaders “can at any moment take the means of livelihood from two and a half million souls...can shut up most of the mills and factories, and can disable the railroads.”⁹¹

Like most executives during the Gilded Age, Cleveland was inconsistent on the emerging issues of corporate power and labor rights. In his speeches and public writings, he repeatedly scolded industrial monopolies and corporations for abuses of power. He warned that “when by combination, or by the exercise of unwarranted power, [corporations] oppress the people, the same authority which created [them] should restrain them and protect the rights of the citizen.”⁹² But as mayor, governor, and president, he neither took much action nor advanced much policy to do so. Likewise, he often spoke boldly about the rights of, and protections for, American workers. “The laboring classes constitute the main part of our population,” he claimed repeatedly, “They should be protected in their efforts peaceably to assert their rights...and all statutes on this subject should recognize the care of the State for honest toil, and be framed with a view of improving the condition of the working man.”⁹³ But again, he did little for labor while in office, seeing himself constrained by the Constitution and private contract rights.

⁸⁷ Cleveland Papers. July 14, 1886. Quoted in Nevins, 1932a: 271.

⁸⁸ SGC. Undated. Quoted in Nevins, 1932a: 277.

⁸⁹ Engels, Friedrich. 1887. Letter to Friedrich Sorge (August 8). Quoted in Green, James. 2006. *Death in the Haymarket: The story of Chicago, The First Labor Movement and the Bombing that Divided Gilded Age America*. New York: Pantheon Books: 145-146.

⁹⁰ Table Ba4954-4964 Work stoppages, workers involved, average duration, and person-days idle: 1881-1998. *HSUS*.

⁹¹ Quoted in Dubofsky, Melvyn and Foster Rhea Dulles. 2010. *Labor in America: A History, Eighth Edition*. Wheeling, IL: Harlan Davidson: 128.

⁹² SGC. 1882. Letter Accepting Nomination for Governor. (October 7).

⁹³ *Ibid*; repeated in SGC. 1884. Letter Accepting Nomination for President. (August 18).

His boldest action on labor as president took the form of a special message to Congress, the first of its kind in American history, sent in late April 1886.⁹⁴ But with his typical restraint, Cleveland asked Congress merely for “legislative care” that “[labor’s] reasonable demands should be met in...a spirit of appreciation and fairness”. In fact, Cleveland warned Congress that “any effort...by the Federal Government must be greatly limited by constitutional restrictions.” His preferred solution was for Congress to create a permanent labor commission that could launch investigations of abuse and oversee corporate-labor negotiations. Congress, backed by industry in the North, mine-owners out West, and plantation owners in the South, rejected this suggestion as too bold. It instead empowered Cleveland to appoint arbitration boards on an *ad hoc* emergency basis. Congress also passed legislation that legalized labor unions, set new immigration restrictions, granted an eight-hour work day to some Federal postal employees, and limited prison labor. But none of these actions addressed the fundamental tensions driving labor-industry acrimony. Hence the conflicts, often violent, would continue.

Tensions boiled over in early May 1886 during labor protests in Chicago.⁹⁵ As part of a nationwide push to limit work hours, leaders of an anarchist labor association organized an evening rally in Haymarket Square. Its purpose was to protest deadly police violence and “to explain the general situation of the Eight-Hour [workday] Movement”.⁹⁶ Toward the end of the Haymarket speeches, 175 policemen marched in to disperse the dwindling crowd. Suddenly, an unknown assailant hurled a bomb into the ranks of police, who began firing wildly. The workers fired back. Between the bomb and the melee that followed, eleven people were killed, while over fifty officers and an untold number of civilians were wounded. The event shocked the country. A “red scare” ensued, as the Illinois State Attorney reportedly ordered his men to, “Make the raids first and look up the law afterward!”⁹⁷ Suspected anarchists and communists were rounded up indiscriminately. The criminal trials that followed became headline news, sparking a national debate over industrial capitalism and the rights of labor. Popular fears spread of “all forms of Socialism, Communism, Nihilism, and Anarchy...preaching their gospel of disaster”.⁹⁸ Calls for action came from all quarters. But President Cleveland felt he had already done his constitutional duty, and let the matter alone.

The Interstate Commerce Act of 1887

Railroad monopolies were also a perennial headache for the American economy.⁹⁹ Their business practices seemed shady, if not outright exploitative. For example, in order to reduce price competition, the railroad corporations divvied up traffic amongst themselves, or shared revenues in formal traffic “pools”. To maximize profits, *different* prices were charged on the *same* routes depending on the customer. Also, special rebates were regularly awarded to the largest corporate customers on more competitive lines, but not to others or on monopolized routes. Meanwhile, “stock watering” and speculation in railroad shares contributed to recurring bank panics.¹⁰⁰ Many of these tactics are common practice now. But they seemed like “organized theft” to 19th century Americans.¹⁰¹ After all, most people had grown up in an economy based on small farmers and tradesmen, dealing in agricultural commodities and basic household goods, conducting exchanges in small lots in free markets. Before 1870, monopolies and large corporations had been rare. But by the mid-1880s, industrial corporations were already coming to dominate economic life in new and alarming ways. And as the oldest and largest industrial corporations, which had also grown to monopolize long-distance transportation services, railroads became a lightning rod for public discontent.

⁹⁴ SGC. 1886. Special Message to Congress. (April 22).

⁹⁵ Avrich, Paul. 1984. *The Haymarket Tragedy*. Princeton, N.J.: Princeton University Press; Green, 2006.

⁹⁶ Spies, August. 1886. Speech to Haymarket rally. (May 4). Quoted in August Spies and Albert R. Parsons. 1886. The Riot at McCormicks. In *The Great Anarchist Trial: The Haymarket Speeches*. Chicago, IL: Chicago Labor Press Association: 3.

⁹⁷ Avrich, 1984: 221.

⁹⁸ Schaack, Michael J. 1889. *Anarchy and Anarchists: A History of the Red Terror and the Social Revolution in America and Europe*. Chicago: F.J. Schulte & Company: v, 687.

⁹⁹ Usselman, 2002.

¹⁰⁰ “Stock watering” is the practice of issuing shares at a much higher value than the underlying assets, usually done to defraud investors. The term was likely borrowed from ranchers who would force their cattle drink large amounts of water before taking them to market where they would be sold by weight. Pratt, Sereno Stansbury. 1903. *The Work of Wall Street*. New York: D. Appleton and Company; Geisst, Charles R. 1997. *Wall Street: A History*. New York: Oxford University Press.

¹⁰¹ Adams, Charles Francis Jr. 1869. *A Chapter of Erie*. Boston: Fields, Osgood, & Co: 146.

Farmers, merchants, and the ticket-paying public clamored for government regulation of the rails.¹⁰² In response, for twenty years (roughly 1867-1887), Congressmen had introduced over 150 bills to regulate the railroads. None passed. Railroad attorneys and property rights advocates, like Cleveland himself, ably defended corporate interests in Congress and the courts. The same rights and protections invoked by early Americans to protect themselves from a predatory aristocracy, were now being employed to defend private monopolies against regulation by the people. Finally, in 1876, the Supreme Court conceded that the rails “engaged in a public employment affecting the public interest” and therefore concluded that railroad rates and practices *could* be regulated by the government.¹⁰³ State governments now sprang into action with all sorts of new legislation.¹⁰⁴ However, while state governments might regulate railroads within their borders, the most profitable traffic was increasingly regional and transcontinental.¹⁰⁵ And, in 1886, the Supreme Court ruled that regulation of *interstate* routes only “should be done by the Congress of the United States under the commerce clause of the Constitution.”¹⁰⁶ This ruling created “a twilight zone in which states could not and the federal government did not regulate railroads.”¹⁰⁷ Meanwhile, by the mid-1880s, overbuilding had created cutthroat competition amongst some railroads, while consolidation created large monopolies elsewhere. Pools became ineffective, as their terms amplified in complexity and members cheated. As a result, many railroads themselves now supported federal regulation of some sort.

The result was the Interstate Commerce Act of 1887. Despite his legal experience with the issues, Cleveland demanded no role in its design. Congress sent it to him in late January 1877 and, after two weeks of study, he signed it without comment. In principle, it banned pools, rebates, price discrimination, and mandated that rates be “reasonable and just” and be published for all to see. But the new Interstate Commerce Commission (ICC) it created to enforce these regulations had little real impact. After an initial flurry of activity, the ICC found itself virtually powerless. The language of the Interstate Commerce Act was so weak, ambiguous, and experimental, that the ICC’s decrees were often ignored or its mandates reversed by the courts. Its main advantage was to publicize abuses and the need for still better federal regulation. Ninety years later, the verdict from historians remained that “[n]early everyone agrees that the Interstate Commerce Commission has failed...few dispute its lack of success”¹⁰⁸

The Recession of 1887-1888

The economic recovery which initially greeted Cleveland did not last long. After late summer 1886, economic growth became sporadic and unreliable. Wheat and cotton prices remained under pressure as crop yields rebounded. By the end of the year, farm prices were headed back towards their depression lows. Net gold inflows paused. Deflation returned to the cities. Still nervous from the recent downturn, banks remained conservative on lending, while federal debt paydowns reduced the supply of government bonds.¹⁰⁹ Thus real interest rates rose again towards 6 percent.

Between spring 1887 and spring 1888, a severe recession struck. It was largely caused by historic droughts and blizzards that devastated ranchers, farmers, railroads, and industry alike. The first drought hit during summer 1886, when severe heat waves and poor rainfall ravaged Texas. Cattle died off and many ranchers ate their seed corn in order to survive. Then came the “Hard Winter” of 1886-1887. Records for cold

¹⁰² Hoogenboom, 1961; Usselman, 2002; White, Richard. 2011. *Railroaded: The Transcontinentals and The Making of Modern America*. New York: WW Norton.

¹⁰³ *Munn v. Illinois*, 94 U.S. 113 (1876).

¹⁰⁴ These were not the first state-level laws to regulate the railroads. In late 1867, The Patrons of Husbandry (“The Grange”) was founded to organize small farmers in the Midwest against exorbitant railroad fees, taxes, and interest rates. With over 850,000 members by 1875, the Grange rapidly became a powerful force in American politics. As a result of Grange lobbying, between 1871-1874, four Midwestern states (Illinois, Minnesota, Wisconsin, and Iowa) passed the first laws requiring governments to regulate private industry. They fixed rates on railroads and the nearby grain warehouses which served them (often owned by the railroads), and prohibited free rail passes for public officials. Corporate lawsuits against these “Granger Laws” evolved into 1876 *Munn v. Illinois* Supreme Court decision, which provided constitutional cover for the surge in state railroad regulations that followed. Bourne, Jenny. 2017. *In Essentials, Unity: An Economic History of the Grange Movement*. Athens, OH: Ohio University Press.

¹⁰⁵ Table Df901-910 - Railroad passenger and freight service—revenue and volume: 1865–1890. *HSUS*.

¹⁰⁶ *Wabash, St. Louis & Pacific Railway Company v. Illinois*, 118 U.S. 557 (1886).

¹⁰⁷ Hoogenboom, Ari A. and Olive Hoogenboom. 1976. *A History of the ICC: From Panacea to Palliative*. New York: Norton: 12

¹⁰⁸ Hoogenboom and Hoogenboom, 1976: ix.

¹⁰⁹ Friedman, Milton and Anna Jacobson Schwartz. 1963. *A Monetary History of the United States, 1867-1960*. Princeton, NJ: Princeton University Press: 127-128.

and snow were set around the country, with 3-4 inches falling in downtown San Francisco, and freezing temperatures reaching deep into the South.¹¹⁰ But it was the blizzards on the Great Plains that did the worst economic damage that winter. They buried entire states in several feet of snow for weeks, while temperatures dipped below -50 degrees at times. “It was as though the Arctic regions had pushed down and enveloped us. Everything was white.” wrote one Montana rancher.¹¹¹ From the Dakotas to Texas, millions of livestock, including anywhere from 50-90 percent of most cattle herds, froze to death.¹¹² Due to both the weather and the ranching bust, demand for manufactured products fell. Industrial production contracted sharply, dropping around 9 percent, between March and July 1887.¹¹³ Then, during summer 1887, droughts returned to the Great Plains and prairies, further punishing farmers and ranchers. The following winter, 1887-1888, brought record snowfall and a “Great Blizzard”, this time to the Mid-Atlantic and Northeast. Ice flows clogged the Ohio and Mississippi Rivers. Roads and rails were unpassable, even in the cities. Telegraph and telephone lines were downed, snarling communications. Hundreds of ships were grounded or wrecked, and docks were destroyed, rendering the nation’s largest eastern ports unusable. Washington DC, Baltimore, Philadelphia, New York, and Boston were immobilized. Even the New York Stock Exchange closed for two days. Much of the American economy was virtually paralyzed. Industrial production alone plunged 14 percent that winter.¹¹⁴ Farmers called for aid, while the manufacturing sector clamored for trade protection, as did many American workers who believed that free trade pushed down wages and eliminated jobs.

Despite calls for federal assistance, Cleveland doggedly stuck by his Constitutional ideals. For example, when suffering Texans appealed for aid, Congress passed a bi-partisan bill to provide a meagre \$10,000 in seed-grain to save farms in selected counties in that state. Scores of federal aid packages been granted to disaster victims over the decades,¹¹⁵ but President Cleveland vetoed the appropriation, arguing that:

“I can find no warrant for such an appropriation in the Constitution; and I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering... the lesson should be constantly enforced that, though the people support the Government, the Government should not support the people.”¹¹⁶

Cleveland also struck down hundreds of spending bills for infrastructure, pensions, and regional aid. All told, he exercised his veto a total of 414 times during his first administration, only a quarter of which were pocket vetoes.¹¹⁷ This sum is roughly twice that of *all* previous Presidential vetoes combined. And of Cleveland’s vetoes, only two were overridden by Congress during his first term, giving him an almost unrivaled success rate in American history. The “veto mayor” and “veto governor” had become the “veto president”.

The vast majority of Cleveland’s vetoes were against private pension bills for veterans of the Civil War.¹¹⁸ These individual acts, written to benefit individual Americans, had become a form of patronage used to buy support for Republican Congressmen. And, fearing the wrath of the “soldier vote”, every president since

¹¹⁰ US War Department. *Monthly Weather Review*. 1887. January through April issues (passim). Washington City: Signal Office. See also St. Martin, Thomas. 2009. With a Bang: Not a Whimper--The Winter of 1887-1888.

https://files.dnr.state.mn.us/natural_resources/climate/summaries_and_publications/mn_winter_1887-1888_revised.pdf

¹¹¹ Granville Stuart. Quoted in Fletcher, Robert S. 1930. That Hard Winter in Montana, 1886-1887. *Agricultural History* 4(4): 123-130

¹¹² With death precluding any round-ups, cowboys nicknamed it “The Great Die-Up”. Boardman, Mark. 2015. The Great Die-Up: The Winter of 1886-87 Took The Crown Off King Cattle. *True West Magazine*. (December 1).

¹¹³ National Bureau of Economic Research, Index of Industrial Production and Trade for United States.

<https://www.nber.org/data/industrial-production-index/>

¹¹⁴ Ibid.

¹¹⁵ Dauber, Michaele Landis. 2013. *The Sympathetic State: Disaster Relief and the Origins of the American Welfare State*. Chicago, IL: University of Chicago Press.

¹¹⁶ SGC. 1887. Veto Message. (February 16).

¹¹⁷ Gerhard Peters. Presidential Vetoes. *The American Presidency Project*. Ed. John T. Woolley and Gerhard Peters. Santa Barbara, CA: University of California. 1999-2016. Available at <http://www.presidency.ucsb.edu/data/vetoes.php>

¹¹⁸ At the behest of Congress, the Lincoln administration (1861-1863) had created a federal Pensions Bureau to provide for disabled Union Army veterans and for the widows and dependents of Union soldiers killed during the war. Individuals disqualified by the Pensions Bureau could ask their Congressman to support a bill to override the Bureau’s ruling. See Skocpol, Theda. 1992. *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States*. Boston: Harvard University Press; Skocpol, Theda. 1993. America’s First Social Security System: The Expansion of Benefits for Civil War Veterans. *Political Science Quarterly* 108(1):85-116.

Lincoln, all Republicans, had signed each of the thousands of pension bills which came to their desks. The expenditures became enormous. By Cleveland's time, pensions were the largest category in the annual budget, supporting some 325,000 Americans and consuming over 20 percent of Federal spending.¹¹⁹

With arguably few veterans' votes to lose, Democratic Cleveland refused to continue this practice without more serious vetting. He vetoed hundreds of pension bills that he judged fraudulent. In one such veto, he complained "I am so thoroughly tired of disapproving gifts of public money to individuals who in my view have no right or claim to the same, notwithstanding apparent Congressional sanction...the [freewheeling] granting of pensions invites applications without merit and encourages those who for gain urge honest men to become dishonest."¹²⁰ Republicans in Congress therefore passed a comprehensive bill that would award pensions to any Civil War veteran disabled for any reason, even old age. Furthermore, the bill gave pensions for disabilities incurred *after* the war, and provided financial incentives to physicians and towns to aid in certification.¹²¹ Again, Cleveland vetoed it.

The economic effects of Cleveland's pensions vetoes were mixed. On one hand, he reduced a persistent form of corruption and inefficient pork. For example, *The Nation* applauded Cleveland's veto of the mass pensions bill, proclaiming that he had "saved the Treasury from a tremendous onslaught of pension-beggars"¹²² Nor did Cleveland veto all pensions, just those that seemed fraudulent to him. On the other hand, Cleveland's attack on pensions limited perhaps the only existing form of public welfare. The New York *Tribune* therefore bemoaned that Cleveland's vetoes were "...sending the destitute, aged mothers of soldiers to the poorhouse, in order that the Democratic party may gain a reputation for economy."¹²³ But Cleveland believed that Congress was wasting money, encouraging widespread fraud and dependence, and choosing economic winners and losers, all the while treading on the authority of the executive branch (i.e. individual Congressmen should either respect the judgements of the Pensions Bureau or pass legislation to change the way it made decisions).

Admittedly, Cleveland was somewhat flexible here, more opposed to specific grants of welfare than to general acts of government favor. For example, two weeks after quashing the Texas Seed Bill, Cleveland signed the Hatch Act of 1887, which provided a far greater sum, \$15,000 per year, in federal funding to *each* land-grant college to support agricultural experiment stations and the circulation of information about new farming techniques. Out West, he opened up millions of acres of government land, hitherto appropriated by railroads and cattle barons, to new settlers. Nor did Cleveland veto a generous rivers and harbors improvement bill, arguably for defense, which critics lambasted for its pork and jobs. And in a blatant act of government favoritism, Cleveland defended cattle and dairy interests by signing a bill that taxed and regulated margarine so as to make it less competitive with butter. Yet, such transgressions were rare. More often, Cleveland denounced the "selfish and private interests which [convince the public] that the General Government is the fountain of individual and private aid..."¹²⁴

*Trade and the Great Tariff Debate of 1888*¹²⁵

Ultimately, it was trade that would prove Cleveland's most controversial battle. The US during the mid-1880s was relatively closed to international trade—it comprised just 12 percent of the country's economic activity—but some sectors depended heavily upon it.¹²⁶ Southern farmers sent large portions of their cotton and tobacco crops abroad, as did Midwestern wheat farmers.¹²⁷ So too did pig farmers find ready buyers of

¹¹⁹ In 1885, total federal outlays were \$260 million, of which \$42.7 million went for the Army, \$16 million for the Navy, \$51.4 million for interest on the public debt, and \$56.1 million on veterans compensation and pensions. Series Y 457-465. Outlays of the Federal Government: 1789-1970 in *Historical Statistics of the United States: Colonial Times to 1970 Part 2*. Washington DC: Bureau of the Census, US Department of Commerce; see also Nevins, 1932a: 327.

¹²⁰ SGC. 1886. Veto Message. (June 21).

¹²¹ Skocpol, Theda. 1993. America's First Social Security System: The Expansion of Benefits for Civil War Veterans. *Political Science Quarterly* 108(1):85-116

¹²² *The Nation*. 1887. (March 10): 202-3. Quoted in Spitzer, Robert J. 1988. *The Presidential Veto: Touchstone of the American Presidency*. Albany, NY: State University of New York Press: 62.

¹²³ Quoted in Nevins, 1932a: 329.

¹²⁴ SGC. 1888. Annual message to Congress. (December 3).

¹²⁵ For excellent recent discussions of Gilded Age tariff politics see Irwin, Douglas A. 2017. *Clashing Over Commerce: A History of US Trade Policy*. Chicago, IL: 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.

¹²⁶ Irwin, Douglass. 2006. International Trade in Goods and Services. Essay in *HSUS*. Also Series Ca10, Ee416-418, and Ee421. *HSUS*

¹²⁷ Table Ee569-589 Exports of selected commodities: 1790-1989. *HSUS*.

American ham and bacon in foreign markets. Meanwhile, many struggling American consumers, and certain manufacturers, relied on imports of cheap unprocessed foods (especially sugar) and crude materials (wool, leather, and other textiles), which together constituted 75 percent of all imports.¹²⁸ In fact, the US government itself depended upon imports since tariffs brought in around 55 percent of all Federal revenues.¹²⁹ These import tariffs allowed Gilded Age Americans to simultaneously afford low taxes, rapid debt reduction, generous pensions for Union Army veterans and their dependents, river and harbor improvements, and the construction of a new, modern Navy.¹³⁰

Yet the existing tariff regime was problematic and begged for reform. First, the rates were exorbitant. Between 1875-1885, the overall tax rate on dutiable imports averaged above 43 percent, while tariffs on some individual goods reached far higher.¹³¹ Tariffs thereby “raise the price to consumers of all articles imported...[and] create a tax upon all our people” complained Cleveland.¹³² Second, tariffs created winners and losers. Especially hurt were millions of American consumers in the lower classes, farmers, and the Democrat-dominated South (which faced reciprocal tariffs on their export crops, while paying exorbitant prices for manufactured goods). On the other hand, domestic manufacturers benefited from reduced foreign competition, which allowed them to raise prices on their own goods. “The benefits of the tariff all go one way,” complained a Southern congressman, “from the consumer to the manufacturer, but not from the manufacturer to the consumer”.¹³³ Also, customs officials were usually the agents of local party bosses, therefore tariffs were also a primary source of funds for the political machines. Thus, to Cleveland, tariffs were an outgrowth of the spoils system, constituting a “vicious, inequitable, and illogical source of unnecessary taxation...”¹³⁴ Finally, with the Federal budget consistently in surplus, high tariffs created an embarrassment of riches in government coffers. Throughout the 1880s, the US Treasury brought in around 38 percent *more* in revenues than Congress spent, much of it in tariffs.¹³⁵ When the US Treasury invested these excess funds (i.e. purchased bonds on the open market), it drove up interest rates, while further enriching wealthy financial interests in the Northeast. And while a government surplus may not seem problematic to 21st century Americans, the 19th century view was that surpluses took money out of circulation, while also creating a large, irresistible reserve of pork which further tempted spoilsmen in Congress and the bureaucracy. Hence many blamed high tariffs for causing the Smoldering Depression of 1881-1885.

Cleveland was admittedly a late-comer to the tariff debate. Other than vague partisan support for lower tariffs shared by most Democrats since the 1840s, Cleveland had rarely spoken of them. Nor had he ever much studied the matter. “I am ashamed to say it, but the truth is I know nothing about the tariff...” he admitted to a Republican reformer, “Will you tell me how to learn?”¹³⁶ He was certainly no free-trader. Cleveland recognized the value of protective tariffs for the budding American industrial sector and, he hoped, for the workingmen employed there. As a Democrat, Cleveland was also wary of causing a schism amongst his party in Congress; not all Democrats supported the same tariffs on the same products. And since half of all US trade was conducted with Great Britain,¹³⁷ many Americans also saw free trade as a dangerous form of British imperialism, “...tantamount to conspiracy: a secretive British-led attempt to stunt the growth of US ‘infant’ industries and foil Republican imperial designs.”¹³⁸ Hence in his first annual message to Congress, Cleveland limited his

¹²⁸ Table No 266. Statistical Record of the Progress of the United States 1800-1907. Imported Merchandise, classified by great groups. *Statistical Abstract of the United States 1907*: 694.

¹²⁹ Table Ea588–593 Federal government revenue, by source: 1789–1939. *HSUS*. Another third of federal revenues came from internal taxes on tobacco and alcohol, the remaining ~15 percent came from land sales, fees, and other excise taxes.

¹³⁰ Table Ea636–643 Federal government expenditure, by major function: 1789–1970. *HSUS*. In federal expenditures, in 1888 for example, almost 30 percent was spent on pensions for Union Army veterans; only 20 percent went towards military spending, another 16 percent went to interest payments on federal debt.

¹³¹ Table Ee424–430 Merchandise imports and duties: 1790–2000. *HSUS*.

¹³² SGC. 1887. Annual message to Congress. (December 6).

¹³³ Mills, Roger. 1888. (D – TX) (April 17). Quoted in Irwin, 2017: 245.

¹³⁴ SGC. 1887. Annual message to Congress. (December 6).

¹³⁵ Table Ea584–587. Federal government finances-revenue, expenditure, and debt: 1789-1939. *HSUS*.

¹³⁶ SCG. Late 1884 or early 1885. Letter to Carl Schurz. Quoted in Stoddard, 1927: 152.

¹³⁷ Another 15 percent of US trade was with Germany/France combined, and another 15 percent with the Americas. Table Ee533–550 Exports, by country of destination: 1790–2001. *HSUS*.

¹³⁸ Palen, Marc-William. 2016. *The "Conspiracy" of Free Trade: The Anglo-American Struggle over Empire and Economic Globalization, 1846-1896*. New York: Cambridge University Press.

recommendations to vagaries such as “I think the reduction should be made in the revenue derived from a tax upon the imported necessities of life.”¹³⁹

But Cleveland’s lack of leadership on silver convinced many that he would be similarly weak on trade. For example, in early 1886, a handful of pro-reform Democrats attempted to pass new tariff legislation, but protectionist Democrats in Congress torpedoed the effort before it even made it to the House floor. As usual, the strictly constitutionalist Cleveland refused to interfere. The next plan was to ride a wave of voter frustration during the 1886 midterm elections. But the November elections failed to reveal any major shifts in public opinion; nor did they much alter the balance of power in Congress. In his December 1886 message to Congress, Cleveland therefore increased the urgency, though not the specificity, of his call for tariff reform. He even threatened to call a special session of the newly elected Congress. The threat was ignored. Again, no progress was made.

Finally, seeing tariffs as the last refuge of the spoilsmen, and with consumers and labor crying for relief amidst the Recession of 1887-1888, an exasperated Cleveland dedicated his entire December 1887 annual message to Congress to tariff reform. In unusually stark and indelicate terms, Cleveland blasted the existing tariff regime. He described it as an “...indefensible extortion and a culpable betrayal of American fairness and justice...that multiplies a brood of evil consequences”¹⁴⁰ and demanded change. Cleveland proceeded to propose a new tariff system that would lower duties on “the necessities of life used and consumed by all the people,” (such as sugar, clothing, carpets, and raw materials), while still maintaining protective tariffs for many American industries.

Coming as a surprise, for he consulted few in Congress or his party, Cleveland’s trade message suddenly threw the entire country into a controversial “Great Tariff Debate” during a close election year. For months, newspaper headlines and editorial pages were consumed by trade arguments. The battle over tariffs even invaded American popular culture. In Mark Twain’s new novel, published later that year, the “Connecticut Yankee” argued tariffs with a fictional blacksmith in King Arthur’s Court. The socialist Edward Bellamy, who intended to attack money and individualism, felt obligated to also lambaste customs duties in his instant 1888 classic, *Looking Backward*. Even the great American poet, Walt Whitman took up the fight against protectionism, declaring “The whole thing is hoggish—put on hoggish foundations”.¹⁴¹ Certainly, during spring and summer, Congress debated little else. Cleveland’s allies in the House drafted a new tariff bill that would reduce tariffs on iron, standardize duties on cotton, and completely abolish import taxes on hemp, flax, lumber, and wool. It was actually a mild reform, just a 7 percent reduction in tariffs overall.¹⁴²

Immediately, the potential economic losers began to push back. Pleas for compromise came from several directions. For example, to reduce the embarrassingly large Federal surplus, former House Speaker Samuel Randall (D-PA) wanted to split revenue reduction between tariff reform and cuts on internal taxes, especially the excise taxes on tobacco and whisky produced in his part of the country. Wealthier mid-western Democrats preferred to cut taxes and tariffs on the luxury items which they consumed. The Senate Republicans drafted a counter-proposal that would have *raised* duties on manufactured goods, clothing, and many of the items on Cleveland’s reduction list.

However, Cleveland now stubbornly refused to intervene. He would neither compromise on the bill nor make side deals to attract Republican votes. One scholar of the tariff fight argues that “Where Cleveland primarily failed was in the area of public education”.¹⁴³ He was willing to use a combination of threats and partisan pressure to maneuver his bill through the House, mostly along party lines. But “...[Cleveland] considered a barnstorming tour to inspire grassroots support to be beneath the dignity of the presidential office... He left to others the labors of instruction.”¹⁴⁴ So, with the public confused by tariff schedule complexities and hysterical rhetoric, the bill died in the Republican-dominated Senate. Little was accomplished.

¹³⁹ SGC. 1885. Annual Message to Congress. (December 8).

¹⁴⁰ SGC. 1887. Annual Message to Congress (December 6).

¹⁴¹ Palen, 2016: 145-147; Whiteman, Walt. 1888. (September 13). Quoted in *With Walt Whitman in Camden Vol 2* by Horace Traubel. 1906. Boston: Small, Maynard: 313.

¹⁴² Welch 1988: 88.

¹⁴³ Welch 1988: 89.

¹⁴⁴ Ibid.

Cleveland and Presidential Relationships

Given his resolve for a strictly “constitutional”, and hence passive, presidency, Cleveland’s failed attempts at relationship-building may seem irrelevant; but they might also help to explain his economic leadership problems. First, the press. Cleveland respected the democratic ideals of a free press “as a regulator and check upon temptation and pressure in office...”¹⁴⁵ But in practice, he hated reporters. Their headline-seeking and scandal-baiting infuriated him. He regularly referred to journalists as “ghouls” and openly blasted the newspapers “for unjust and false accusations and for malicious slanders invented for the purpose of undermining the people’s trust and confidence...”¹⁴⁶ Cleveland never understood how good men could ruin his reputation for profit. Nor did journalists especially value Cleveland. “Frankly, we couldn’t ‘get him’” recalled one reporter; another complained the president was so unapproachable, that getting any news from the administration was done “much after the fashion in which highwaymen rob a stage-coach”.¹⁴⁷

Nor did Cleveland grasp how to campaign or mingle with the American people. For example, one scholar of the administration, has written:

[Cleveland had] little talent for mobilizing public opinion or generating publicity for his policies, and he would have considered a barnstorming tour to inspire grassroots support to be beneath the dignity of the presidential office. He spoke about the need for a ‘campaign of public education’ in behalf of tariff reform, but he left to others the labors of instruction.¹⁴⁸

Instead, during his sparse free time, Cleveland went hunting and fishing, or he courted his bride-to-be, rather than rub elbows with the American people. He so much hated his lack of privacy that, after he married, Cleveland purchased a home and a small farm plot three miles northwest of the White House. The first couple lived there for much of each year, with the president commuting as necessary to the executive mansion.¹⁴⁹ But “[p]robably his greatest weakness,” recalled one Washington journalist, “was his inability to meet men agreeably—particularly those who differed in opinion with him. He was always suspicious of them, and was too easily moved to denounce them personally.”¹⁵⁰

To be fair, Cleveland had little staff to help him with public relations.¹⁵¹ In the White House, Cleveland was aided only by a private secretary, who came with him from the New York Governor’s office. Another dozen clerks, stewards, and valets helped to run daily affairs. Even then he refused to delegate. A White House doorman who served ten presidents labeled Cleveland “the hardest working President I ever saw in my life.”¹⁵² Most of his peers agreed. He worked long hours, from early morning until long past midnight. He carefully vetted almost every piece of legislation and appointment that came across his desk. Cleveland even frequently answered the single telephone, or even the front door, himself. A skeptical senior Democrat quipped that Cleveland was “the kind of man who would rather do some thing badly for himself than to have somebody else do it well.”¹⁵³

It did not help that, as Cleveland governed like a lawyer, he spoke and wrote like one too. He “had no talent for oratory...” writes one scholar, “A public speech of any kind was a heavy labor, and he had no talent for extemporaneous address”¹⁵⁴ He gave few speeches, and when he did, he was rigidly formal and unsmilingly. His prose was filled with ponderous phrases and unnecessary vocabulary that clogged endless run-on sentences to obfuscate even simple thoughts.¹⁵⁵ For example, he prefaced simple policy statements with long vacuous set-ups like:

¹⁴⁵ SGC. 1886. Speech at the 250th Anniversary of the founding of Harvard College. (November 8).

¹⁴⁶ “O, those ghouls of the press” quoted in Eliot, Charles W (Harvard President). 1886. Letter to William Gorham Rice. Found in Nevins, 1932a: 309-310; SGC. 1886. (November 8).

¹⁴⁷ Stoddard, 1927: 143; Barry, David (reporter for *New York Sun*) quoted in Ponder, *Managing the Press*: 4/22.

¹⁴⁸ Welsh, 1988: 89.

¹⁴⁹ Whitcomb, John and Claire Whitcomb. *Real Life at the White House: Two Hundred Years of Daily Life at America’s Most Famous Residence*. New York: Routledge.

¹⁵⁰ Stoddard, 1927: 152.

¹⁵¹ Welch, 1988.

¹⁵² Pendel, Thomas F. 1902. *Thirty-Six Years in the White House*. Washington DC: Neale Publishing Co:148.

¹⁵³ Tilden, Samuel. Quoted in *The Outlook*. 1909. Grover Cleveland. (December 11). 807.

¹⁵⁴ Welch 1988: 22, 35.

¹⁵⁵ Summers, 2008.

The laws of progress are vital and organic, and we must be conscious of that irresistible tide of commercial expansion which, as the concomitant of our active civilization, day by day is being urged onward by those increasing facilities of production, transportation, and communication to which steam and electricity have given birth...¹⁵⁶

His annual messages to Congress droned on with such weighty vernacular for dozens of pages, some of the lengthiest on record. His critics saw it as subterfuge. To them, the simple-minded Cleveland was posing as an intellectual by using “archaic and obsolete words of resounding length.”¹⁵⁷

Cleveland even had poor relations with his own Democratic party. He had spent few years in elected office and therefore had built little in the way of a national party following. As president, he often failed to consult senior Democrats on his few policy decisions or major speeches. He refused their urgent requests for patronage. Nor would he help them to organize in Congress. He neither sought much to lead nor influence the party. As a result, “The Democrats, in fact, did not recognize him as their leader, but only as their candidate for the office of President,” wrote Woodrow Wilson, then a political science professor at Princeton, who explained that “...Mr. Cleveland was renominated for the presidency by acclamation [in 1888], not because the politicians wanted him, but because their constituents did.”¹⁵⁸ Rank-and-file Democrats felt little warmth for Cleveland, but they knew where he stood and most respected him for it; and they dreaded Republicans even more.

1888 Election

Cleveland only narrowly lost his re-election bid in 1888. He was re-nominated by his party uncontested, the first time for a Democrat in fifty years. Conservative, pro-business “Bourbon” Democrats¹⁵⁹ supported him. They wanted a small, clean *laissez-faire* government at a time when other candidates seemed to favor special interests, socialism, or a return to the spoils system. He also carried the “solid South”. He even won the popular vote. But the tariff fight ultimately scuttled his chances.¹⁶⁰ “[T]he Republicans have got us on the run on the free trade issue” complained a Democratic organizer.¹⁶¹ “There was no denying the fact that he had wrought his own defeat and his party’s by forcing a hot fight when matters were going peacefully enough” surmised Wilson.¹⁶² He therefore lost the Northern and Western states that had been key to his electoral college victory four years earlier. Cleveland also refused to campaign vigorously, seeing it as beneath the dignity of a president.

The vote was excruciatingly close though. Just 14,000 more votes in New York alone, Cleveland’s home state, would have won him a second term. Thus, his prospects for a return in 1892 were good. In fact, on their way out, Mrs. Cleveland blithely told a White House servant “Now, Jerry, I want you to take good care of all the furniture and ornaments in the house...for I want to find everything just as it is now when we come back again... We are coming back just four years from today.”¹⁶³

Cleveland left his successor a healthy, albeit erratic, economy. Real GDP per capita had staggered back up to record highs.¹⁶⁴ Industrial production was finally booming again by early 1889.¹⁶⁵ Agriculture had mostly

¹⁵⁶ SGC. 1885. Annual Message to Congress. (December 8)

¹⁵⁷ Unknown. Quoted in Summers, 2008.

¹⁵⁸ Wilson, Woodrow. 1897. Mr. Cleveland as President. *The Atlantic*. (March).

¹⁵⁹ “Bourbon Democrat” was originally a pejorative term used by machine politicians to refer to reformist, conservative Democrats who yearned to return to pre-Civil War practices of minimal government. In New York, Bourbons led the fight against the Tweed Ring and Tammany Hall, and for civil service reform. Since many reformers were wealthy, educated elites, the term “Bourbon” was meant to evoke the elitist, royalist, anti-democratic views of the Bourbons in France before the 1789 revolution who had “learned nothing and forgot nothing”. Over time, “Bourbon” referred more generally to all political-economic conservative Democrats, often from the South, from roughly 1876 to 1904. Bourbon Democrats favored both small government and big business. Thus, they supported the gold standard and *laissez-faire* capitalism, while opposing state subsidies or trade protections. In foreign policy, they opposed U.S. expansion overseas.
¹⁶⁰ “[Cleveland] missed his chance; *instead of striking the [British] lion, he kicked the donkey*; America was laughed at; Cleveland was defeated”. *Record* (Columbia, SC). Quoted in Sievers, Harry J. 1960. *Benjamin Harrison: Hoosier Warrior, Through the Civil War Years 1833-1865*. New York: University Publishers: 8 (fn 10).

¹⁶¹ Ivins, William B. 1888. Letter to Daniel S. Lamont. (August). Quoted in Nevins, 1932a: 423.

¹⁶² Wilson, 1897.

¹⁶³ Crook, William H. (Col). 1910. Home Life of Cleveland: Personal Recollections of Colonel W.H. Crook. *The Saturday Evening Post*. (October 22): 29.

¹⁶⁴ Table Ca9-19. Gross domestic product: 1790-2002. *HSUS*.

¹⁶⁵ National Bureau of Economic Research, Index of Industrial Production and Trade for United States.

recovered.¹⁶⁶ Inflation for urban consumers was minimal.¹⁶⁷ This was a blessing for workers, whose wages grew slowly and only towards the end of Cleveland's term.¹⁶⁸ The end of deflation also meant that real interest rates dropped from 6 percent to 3.5 percent for high-quality borrowers.¹⁶⁹ The wealthy enjoyed only mixed returns under Cleveland. By 1889, the wild stock market had recovered from its 1885 nadir, but it remained unreliable and significantly below its highs for Cleveland's term.¹⁷⁰ Fiscal conservatives were pleased. For Cleveland had mostly kept a lid on federal expenditures, which barely grew during his term despite an expanding population. As a result, in just four years, he had successfully reduced the federal debt by 15 percent.¹⁷¹ The trade story was less happy. Imports grew every year under Cleveland, for a total of over 24 percent; but exports grew only 7.2 percent and had begun to flag during his fourth year in office.¹⁷² Nevertheless, America's stocks of monetary gold had recovered strongly from 1884 and stood at record highs and investors trusted the US currency.¹⁷³ Given its volatility, Cleveland's first-term economy was, taken as a whole, mediocre; but it finished on a fairly strong note.

Conclusions

We find in Grover Cleveland a simple, stubborn small-government Constitutionalist. To the extent that he held an economic philosophy, it was his sincere belief that “[g]ood and pure government lies at the foundation of the wealth and progress of every community”.¹⁷⁴ This made good sense at a time when governments were mismanaged by corrupt political machines. Cleveland's solution was a fairly negative view of the presidency, and of the federal government. The president's job was to administer and recommend, not to dictate. And other than his formal declarations and messages, almost always directed at Congress rather than the public, Cleveland's active use of the veto was perhaps his only forceful application of presidential power. He made plenty of suggestions to Congress, but he mostly restrained himself in politics and policy. He did use his office, and the Federal government, to defend the currency and to decrease wasteful spending, but not to alleviate hardship or to pro-actively advance the economy. This mostly relieved Cleveland from having to leverage relationships with other major political-economic actors, or the American people, a task that he generally floundered at anyway.

One could therefore argue that Cleveland's first economic administration (1885-1889) simply benefited from good timing or suffered from bad luck. During his first months in office, the Smoldering Depression essentially burned itself out. Eighteen months later, a wave of droughts and blizzards brought recession. When the weather normalized, the economy recuperated. So one might reasonably conclude that, as long as Cleveland did no damage, the economy would naturally improve.

However, there *were* myriad opportunities for Cleveland to passively allow, or actively produce, another financial panic or recession. Instead Cleveland's dedication to a stable, reliable US dollar appears to have been essential to his first administration's economic performance. He prevented a run on the US currency and destabilizing capital flight. On the other hand, he failed to effect more positive policy changes. In particular, Cleveland failed to enact major currency, tariff, welfare, or labor reforms. Also, federal aid to farmers or ranchers might have eased the 1887-1888 recession. In other words, he acted to veer the economic “ship of state” away from the dangerous vortex of financial crisis, but then let it drift rather than guide it towards safe harbor. Here Cleveland's problem appears to have been his negative view of government, and of the presidency, as well as his refusal to play the roles of public educator or Congressional deal-maker, with all cajoling, coercing, and sugaring that came with those vital tasks. These failures would come back with a vengeance

¹⁶⁶ Wholesale Price of Wheat, Chicago, Six Markets for Chicago, IL. NBER Macrohistory Database.

¹⁶⁷ Table Cc1–2 Consumer price indexes, for all items: 1774–2003. *HSUS*.

¹⁶⁸ Index of Composite Wages for United States, Index, Annual, Not Seasonally Adjusted. NBER Macrohistory Database.

¹⁶⁹ 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. NBER Macrohistory Database.

¹⁷⁰ Index of All Common Stock Prices, Cowles Commission and Standard and Poor's Corporation for United States, Index, Monthly, Not Seasonally Adjusted. NBER Macrohistory Database.

¹⁷¹ Table Ea650–661 Federal government debt, by type: 1791–1970. *HSUS*.

¹⁷² Federico-Tena World Trade Historical Database. Federico, G. and Tena-Junguito A. (2019): World trade, 1800-1938: A New Synthesis. *Revista de Historia Económica-Journal of Iberian and Latin America Economic History* 37(1).

¹⁷³ Table Cj1–6 U.S. monetary gold stock: 1879–1971; Table Cj54–69 Currency in circulation, by kind: 1800–1999. *HSUS*.

¹⁷⁴ SGC. 1882. Speech in Buffalo, NY. (September 7).

during his second term. In the meantime, his successor, Benjamin Harrison, would bring an entirely different vision and leadership style to the same set of problems. A future paper will strike that comparison.