

## WASHINGTON, PENNSYLVANIA, AND THE GOLD CONSPIRACY OF 1869

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**I**N the colorful history of Reconstruction no episode is more astounding than the attempt of Jay Gould and Jim Fisk to corner the gold market in the late summer and early fall of 1869. While most of the activity surrounding the event occurred in New York City, Washington, Pennsylvania, figures prominently in the story. Indeed, what happened in "Little Washington" pretty much determined the outcome of the Gould-Fisk conspiracy. The connection between this Western Pennsylvania town and the Gold Conspiracy has frequently been noted by historians,<sup>1</sup> but the full story of President Ulysses S. Grant's visit to Washington, Pennsylvania, in the month of September 1869 has yet to be told.

To make clear the full significance of Grant's presence in Western Pennsylvania as an element in the history of the Gold Conspiracy, it will be necessary to weave together two strands: the account of Grant's visit to the home of William Wrenshall Smith, of Washington, Pennsylvania, and the developments in the gold conspiracy episode in the summer of 1869.

William Wrenshall Smith was a merchant and banker of Washington, Pennsylvania, in the second half of the nineteenth century. He was the son of William Smith and Fanny Wrenshall, the former being the founder of the family fortune.<sup>2</sup> Fanny's sister, Ellen, married Frederick Dent, a Missouri planter from near St. Louis, and it was their daughter, Julia, who shortly after the Mexican War married Lieutenant Ulysses S. Grant of the United States Army. Thus William Wrenshall Smith was a first cousin of Julia Dent Grant. Several times during the Civil War, Smith, a bachelor, visited his cousin-by-marriage and was actively engaged as a volunteer aide to the General.

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1 E.g. William B. Hesseltine, *Ulysses S. Grant, Politician* (N.Y., 1935), 169-79.

2 Earl R. Forrest, *History of Washington County, Pennsylvania* (Chicago, 1926), II, 464.

Following the War, in 1867, General and Mrs. Grant attended, in Washington, Pennsylvania, the wedding of William Wrenshall Smith and Emma Willard McKennan.<sup>3</sup> That same year, Smith bought Spring Hill, the estate of Joseph McKnight on the southern edge of the town, and went to considerable expense to develop its twenty-five acres into carefully laid out gardens, walks, and lawns.<sup>4</sup> It was one of the show places of Western Pennsylvania and it was the home which President and Mrs. Grant visited late in the summer of 1869, coincidentally just at the time of the violent upheaval on the New York money market. The significance of this visit will be apparent as the story of the conspiracy unfolds.

Jay Gould, by the summer of 1869, already had established a reputation for unprincipled scheming amongst financial and investment circles in New York. The year before, he and James Fisk, Jr., had gained control of the Erie Railroad and not because they were interested in railroading. That first summer of the new Grant administration, Gould conceived in his fertile brain a plan whereby he could obtain large profits for himself by driving up the price of gold on the New York gold market. At that time, with Civil War greenbacks still in circulation, gold was used primarily for international commercial transactions. Gold was worth more than greenbacks; in the early summer of 1869 it took approximately \$135 in greenbacks to purchase \$100 in gold. The supply of gold was limited and to keep the amount fairly constant the United States Treasury from time to time would sell some of the gold it had received in the form of customs revenues. Obviously, the supply would become short if the Treasury could be induced to refrain from selling gold for at least a predictable time. Then, with the available supply limited, a corner on it was a real possibility. But how to get the Treasury to cooperate? Gould came up with a plausible argument about "moving the crops" and aiding the farmers of America. Briefly, the idea was that with gold at 135 American farm crops would not find a market in Europe, but that if the price were 145 not only would the European buyer get more American farm products for his money but the American farmer would be more interested in selling.<sup>5</sup>

<sup>3</sup> Washington (Pa.) *Reporter*, Jan. 22, 1948.

<sup>4</sup> The house and property were later used for a boys' military preparatory school, Trinity Hall. The school was operated by the Smith family for a number of years. In more recent times it has become Trinity High School.

<sup>5</sup> An explanation of Gould's plan and a colorful account of the Black Friday episode is found in Henry Adams, "The New York Gold Conspiracy," *The Great Secession Winter of 1860-61 and Other Essays*, George Hoch-

Early that summer Gould and Fisk tried unsuccessfully to persuade Grant to see the desirability of withholding government gold from the market in behalf of the American farmer. The occasion was a trip aboard one of Fisk's Long Island Sound steamers as Grant, as Fisk's guest, was en route to Boston. Nothing happened at that first meeting to indicate that Grant was at all interested in the plotters' economic views,<sup>6</sup> but the idea had been planted.

Gould then tried working through Grant's brother-in-law, Abel Rathbone Corbin, an elderly, retired New York real estate man and Wall Street manipulator. Corbin had married Grant's sister and Gould, an acquaintance of Corbin, saw here a way to accomplish his ends. Corbin seems to have been easily persuaded as to the need for adopting Gould's crop-moving idea; he was probably swayed by the opportunity to make money on the gold market.

If Gould, through Corbin, could persuade Grant to withhold government gold from the market, or, failing that, create the impression in financial circles that Grant and members of his family were personally implicated in the scheme to corner gold, then Gould could proceed with almost certain prospects of success. To improve the possibilities, Corbin was instrumental in having General Daniel Butterfield, a man susceptible to the attractions of monetary reward, appointed Assistant United States Treasurer in New York City. This official had in his charge much of the government's supply of gold. When Gould, having failed to drive up the price of gold through his own purchases, turned to his partner Fisk (hitherto left out of Gould's plans) for assistance he could say to Fisk, "This matter is all fixed up; Butterfield is all right; Corbin has got Butterfield all right, and Corbin has got Grant fixed all right."<sup>7</sup>

Shortly before, on August 25, a suspect editorial entitled, "Financial Policy of the Administration" appeared in the *New York Times*, one sentence of which read, "So far as the current movements of the Treasury are concerned, until the crops are moved, it is not likely Treasury gold will be sold for currency to be locked up."<sup>8</sup>

Gould, in other words, had done everything he could to rig the

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field, ed. (N.Y., 1958), 159-89. Another source of information for the events surrounding Black Friday is, *House of Representatives, Reports of Committees*, No. 31, 41st Congress, 2d Session, serial 1436 (hereinafter referred to as House Report No. 31). For Gould's and Fisk's crop-moving theory see pp. 132, 171.

<sup>6</sup> House Report No. 31, 152-53, 171-72.

<sup>7</sup> *Ibid.*, 173.

<sup>8</sup> *Ibid.*, 277 (italics omitted).

gold market to his own advantage. Grant, without realizing what he was doing, notified the Secretary of the Treasury, George S. Boutwell, at the time in Massachusetts, on about September 1 that he believed it would not be wise to sell gold in the amounts the Secretary had been selling it during the summer, because he wanted to keep the price from dropping. The decision was to be Boutwell's; but this official, correctly assuming that Grant was in favor of withholding gold, ordered his assistant in Washington to hold back on sales except for those already determined upon.<sup>9</sup> That Gould was aware of this order never was made absolutely certain, but it would be most surprising if he was not. One fact pointing in that direction was Corbin's decision to purchase (with no money being put up) from Gould first \$500,000 of gold and later another \$1,000,000.<sup>10</sup> Gould had Corbin nicely compromised; and Corbin appears to have convinced the conspirators, Gould and Fisk, that Mrs. Grant was financially interested in the plan.<sup>11</sup>

Everything depended on Grant's and Boutwell's willingness to suspend gold purchases through the month of September. Should the Treasury decide to sell, Gould and Fisk would face disaster for then their corner would be broken and the price of gold would collapse.

Grant was in New York from September 10 to 13 staying at Corbin's home. Nothing happened to make Corbin or Gould think that any change would occur in the government's policy to refrain from selling gold. On the strength of this, Gould and Fisk bought gold, driving up the price from 135½ on September 13 (the day Grant left New York) to 140½ on September 22.<sup>12</sup> With Grant off in the hills of Pennsylvania, partially isolated from the affairs of the nation, the chances for complete success seemed about as favorable as they possibly could be.

Then Gould began to have doubts. What worried him was the possibility that Boutwell might himself order the sale of gold because the Secretary was then under considerable pressure from the bears of Wall Street to save them from disaster. Boutwell was in New York shortly after Grant left and was tendered a banquet by prominent businessmen, many of whom were known to be short of gold. Rumors began to circulate that Boutwell might order some gold to be put on the market. Gould tried to get reassurance from Corbin, going to his home twice each day. Corbin insisted that all was well and that he

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<sup>9</sup> *Ibid.*, 6, 358.

<sup>10</sup> *Ibid.*, 154, 253-54.

<sup>11</sup> *Ibid.*, 173.

<sup>12</sup> *Ibid.*, 8.

knew Grant's mind despite the fact that he had no assurance whatsoever that the President was going to do as the conspirators wanted.<sup>13</sup> Still, just to make Gould feel better, Corbin, on the evening of September 17, agreed to write Grant, going over once again his crop-moving theory and repeating his belief that the correct policy for the administration was to keep gold off the market. Gould was so worried that he agreed to have the letter delivered by special messenger.<sup>14</sup>

The messenger, William O. Chapin, an employee of Fisk's, started for Washington, Pennsylvania, on Saturday morning, September 18, bearing not only Corbin's letter to Grant, but also a letter addressed by Corbin to General Horace Porter, Grant's secretary, asking that the messenger be permitted to deliver his letter to the President.<sup>15</sup> Chapin's instructions were to deliver the letters, wait for any reply, and then, in Fisk's words, "telegraph back to me whether the letter is satisfactory . . ." <sup>16</sup> On the basis of the reply, Fisk and Gould would know whether or not it was safe to proceed with their attempted corner on gold. Little did Chapin realize how vitally significant would be the exact wording of his telegram.

President and Mrs. Grant, two of the Grant children, and General Porter had set out earlier for Western Pennsylvania on the morning of Monday, September 13. Their first stop was Altoona, where they spent that night. Then they continued on to Pittsburgh, arriving there on the afternoon of Tuesday, September 14.

The visit of General Grant to Pittsburgh was an event of considerable importance to the people of that city and, in the short time available for preparations, they arranged an elaborate welcoming celebration. According to the account in the Pittsburgh *Gazette*, Grant and a party which included Senator John Scott and other dignitaries who accompanied the President from Altoona, were met at the Union Depot by a special welcoming committee and taken to his hotel, the Monongahela House, for rest and dinner. Later he drove to Dr. Cross's Grove in the 17th Ward, for a picnic celebration in honor of the centennial of the birth of Alexander von Humboldt. Returning to the city in the evening, Grant was serenaded by the Second Ward Grant Club of Pittsburgh, after which he made a few remarks to the crowd. Ordinarily, Grant made no speeches and this was not an exception. All he could find to say was, "Gentlemen: I thank you for the very cordial

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13 *Ibid.*, 8-9.

14 *Ibid.*, 155.

15 *Ibid.*, 231, 249.

16 *Ibid.*, 174.

and kind reception I have received from you, and by this city. All my visits to this city have been attended by the same spirit of kindness. It is unnecessary for me to say more, as many of you cannot hear what I am saying." Later the President shook hands with about five thousand persons at the City Hall. For more than an hour he submitted to the ordeal, finally taking a seat. When called on for a speech, he said, "Gentlemen: I don't know how to thank you for this kind reception. It is much easier to come and see [the reception] than to go through it. I bid you good night." The next morning, Wednesday, September 15, Grant, with his party, departed for Washington, Pennsylvania, in private carriages.<sup>17</sup>

The town authorities of Washington made a last-minute decision to hold a welcoming celebration for the President, it having been first decided to respect Grant's desire to avoid public demonstrations. An official committee met Grant and his party on the outskirts of town and drove to the Court House where a crowd had assembled. But there were no speeches; instead, Grant went directly to the Smith home.

Nothing of significance happened Thursday, but on Friday evening the Smiths held a reception for President and Mrs. Grant. The *Washington Reporter* later said of the affair: "Mrs. Grant chatted pleasantly with everybody, but the General maintained his usual reticence. Among the many people presented was a tall countryman, burning with a desire to shake hands with the President. He expressed loudly his great delight at the honor, but was very much taken back by finding the hero so small in stature. 'General,' he said, 'I am delighted to see you, but I'm really amazed to find you such a small man,' and he put his hand upon the President's head. 'I thought you must be a great big fellow.' Then putting his hand in his capacious pocket he pulled out a peach and presented it to the General and another to Mrs. Grant. The latter sent a servant to the General's room for cigars, which she presented to him in return. The agriculturist went away greatly rejoiced."<sup>18</sup>

The next day, Saturday, Grant laid the cornerstone of the new town hall, then under construction. Following these ceremonies, Grant once more was obliged to shake hands with the admiring and the curious inside the Court House.<sup>19</sup> At that time a visit from the President was a major occasion. This had not always been so. In the days before the railroad, the National Road passed through Washington

<sup>17</sup> *Pittsburgh Gazette*, September 14, 15, 1869.

<sup>18</sup> *Washington (Pa.) Reporter*, Sept. 22, 1869.

<sup>19</sup> *Ibid.*

and east-west travelers, including several Presidents, frequently stopped off en route to and from the nation's capital. But the railroad by-passed Washington and in 1869 the only rail connection was with Wheeling. Washington did have telegraphic communication with the outside world,<sup>20</sup> contrary to several of the accounts of the Black Friday episode.<sup>21</sup>

Saturday, September 18, was the day that Chapin was on his way from New York to deliver Corbin's letters to Grant and Porter. He reached Pittsburgh early the following morning but he did not stop to rest. Rather, he hired a public conveyance and continued on the twenty-eight miles or so to Washington, reaching the Smith home about nine on Sunday morning.

Grant and Porter were playing croquet on the front lawn when word was brought that a gentleman was there to see General Porter. When they had finished the game, Porter went into the house and Chapin gave him the letter from Corbin. It simply stated that the messenger had a letter for the President and requested Porter to assist him in delivering it. Porter called Grant in and Chapin then handed him the other letter. Grant read it then left the room for several minutes. When he returned, Chapin expected him to give some reply, but Grant said nothing. So Chapin, eager to start back to New York, asked, "Is it all satisfactory?" to which Grant replied, "Yes," or, possibly, "All right." Chapin then left and sent Gould a telegram from the telegraph office in Washington, the wording and punctuation of which were all important. The telegram said, "Letter delivered. All right." At least this is Fisk's version and Chapin's statement seems to bear it out. Chapin later testified that he said in the telegram that the letters "were delivered all right." Fisk's period after "delivered" is most significant, for the sense of the message then was that Grant was saying that all was well about the government's gold policy and that it was safe for Gould and Fisk to proceed to buy gold.<sup>22</sup>

<sup>20</sup> Washington (Pa.) *Reporter*, Jan. 22, 1948.

<sup>21</sup> E.g. Allan Nevins, *Hamilton Fish* (N.Y., 1936), 283.

<sup>22</sup> This account of the delivery of the letters is found in House Report No. 31, Fisk's, Chapin's, and Porter's statements, pp. 174, 231-32, 444-45; also N. Y. *Tribune*, Oct. 25, 1869. According to the *Tribune's* account, Chapin made an affidavit before a notary on October 5, 1869, in which he stated that he had sent his telegram from "the village of Washington" (Oct. 25, 1869). In his testimony before the House Committee, he said that he "drove straight back to Pittsburg, and telegraphed to New York that the letters were delivered all right . . ." (p. 232). Fisk says that Chapin "drove to the nearest telegraph office, according to instructions, and we got a telegram about 1 o'clock, 'Delivered. All right'" (p. 174). From this it would appear that Chapin's first account was correct and that he did send the

Corbin's reiterated assurances, the belief that Mrs. Grant was in on the scheme, and now Grant's apparent acquiescence with his assurance of "all right" conveyed through Chapin's telegram reassured both Fisk and Gould and led them to buy gold heavily during the next few days, driving the price up to 140½ by Wednesday, September 22.<sup>23</sup> Had Chapin's telegram had different phrasing or different punctuation there would probably never have been a Black Friday.

Chapin's visit to "Little Washington" had another significant result which afforded Gould a chance to save himself from the disaster which would have struck him because of the wrong interpretation put on Chapin's telegram. This arose from the unexpected response of Grant to the letter from Corbin — unexpected, that is, to Gould, Fisk and Corbin.

Grant, at first, was not alive to the implications of Corbin's letter. When he found out, shortly after Chapin's departure, that the letter had been delivered by special messenger from New York and not by the local post office he immediately became suspicious.<sup>24</sup> Already Grant knew of newspaper reports that Corbin was a bull in gold and now this other piece of evidence convinced him that his brother-in-law would have to be checked. So he asked Mrs. Grant to write to Mrs. Corbin asking her husband to stop speculations immediately, that the President was "very much distressed" at the rumors. Mrs. Grant wrote the letter the evening of Monday, September 20.<sup>25</sup> Corbin said that this letter reached his wife on Wednesday, September 22<sup>26</sup> and that night, when Gould called as usual, he showed the letter to him. What was "all right" a few days before was now anything but "all right," and Gould knew it full well. Obviously, Grant was not a party to the plot. His only hope now was to sell gold as quickly as possible, so as to avoid complete catastrophe for himself. Making token purchases so as to keep up the appearance that he was still a bull, Gould quietly unloaded just about all the gold he had purchased during the preceding weeks.<sup>27</sup> Fisk, on the other hand, continued (through agents) to buy

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telegram from Washington. The *Tribune* version also stated that it was Gould who inserted the period after "delivered," and that "This change made it appear that Gen. Grant has assented to some proposition in the letter, and had united with the ring, when the fact was that it was the letter which was delivered 'all right'" (Oct. 25, 1869). It is thus possible that Gould and Fisk deliberately falsified Chapin's telegram.

23 House Report No. 31, 8, 9.

24 *Ibid.*, 444-45, 448.

25 *Ibid.*, 448.

26 *Ibid.*, 251.

27 *Ibid.*, 13, 142.



recklessly until he had driven up the price to 163½ just before noon on September 24, Black Friday. At about that time, Gould's sales, and those of some powerful bears weakened the price and it began to falter. Then came the announcement that the Treasury was placing gold on the market for sale, and the price tumbled to 133 in only fifteen minutes.<sup>28</sup>

Grant, his family, and General Porter had left the Smith home in Washington on Tuesday, September 21, going by way of Wheeling<sup>29</sup> and arriving in the Capital on September 22. With the situation around the country becoming desperate, Secretary of the Treasury Boutwell and Grant agreed on the sale of gold on the morning of September 24.<sup>30</sup>

The corner was broken, but Fisk got out of his predicament by repudiating seventy millions of his purchases. In this he was aided by the closing of the gold room and by court injunctions, issued by pliable judges, restraining the officers of the Gold Exchange from making settlements.<sup>31</sup>

A House investigation the following year cleared Grant and Mrs. Grant of any guilty action. The minority report, however, was not so ready to exonerate the President. It expressed dissatisfaction at the failure of Grant, Mrs. Grant and Mrs. Corbin to explain certain matters and the implication was (though disclaimed) that Grant was more deeply involved than the testimony revealed.<sup>32</sup> Surely Grant had been indiscreet in associating with Fisk and Gould, as he had done that summer, and had shown faulty judgment in falling for Corbin's and Gould's crop-moving idea. His visit to Washington, Pennsylvania, seemingly had afforded the conspirators the opportunity to take advantage of his absence, but they had overplayed their hand and the plot had taken a wrong turn in the Smith home and the telegraph office of "Little Washington."

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28 *Ibid.*, 15, 17.

29 *Pittsburgh Gazette*, Sept. 24, 1869.

30 House Report No. 31, 16.

31 *Ibid.*, 18.

32 *Ibid.*, 461-79.