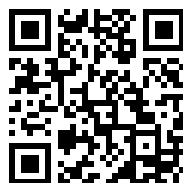

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**THE CONFEDERATE STATES
OF AMERICA**

1861-1865

Yale Bicentennial Publications

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THE
CONFEDERATE STATES
OF AMERICA

1861-1865

*A FINANCIAL AND INDUSTRIAL HISTORY OF THE
SOUTH DURING THE CIVIL WAR*

BY

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TO
WILLIAM GRAHAM SUMNER

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THE CONFEDERATE STATES OF AMERICA

1861-1865

CHAPTER I

THE FINANCIAL LEGISLATION OF 1861-1862

INTRODUCTION — ORGANIZATION OF THE CONFEDERATE GOVERNMENT —
FINANCIAL MEASURES — DONATIONS — THE FIFTEEN-MILLION LOAN
— TREASURY NOTE ISSUES — PRODUCE LOAN — RELIEF OF COTTON
PLANTERS.

THE Civil War is to the student of our country's history primarily the inevitable culmination of a great political movement, a turning-point in the development of our form of government; or it is the subject of an important chapter in the science of warfare, and treats of the great tactical and technical problems worked out in that memorable conflict. This book neglects both of these points of view almost entirely. It aims to treat the war primarily as a chapter in the economic history of our country, as four years during which the financial and industrial phenomena, affected by the abnormal conditions of the war, were peculiar and worthy of study in throwing light on the working of social forces under similar and also under normal circumstances. *Not a political military history*

No claim of originality is made for such a mode of treatment. Others have written the history of the finances and industries of the North during the war. The South has heretofore been neglected, owing to the paucity of reliable material upon which to base the complementary story. Paper and ink were scarce in the South during the war, and contemporary records are correspondingly rare. The meagre

means of communication prevented the newspapers from becoming the storehouse of authentic information that those in the North became. Moreover, the memory of surviving Southerners, especially of those at the time in positions of authority, to whom we turn for enlightenment, leans to recalling the military events of the war.

✓ The following pages are based on an examination of all the accessible material. This consists of the published and unpublished records of the Confederate government, especially the correspondence of the various executive departments in Richmond and the proceedings of the Congress. To these should be added the similar but much less complete material covering the action of the individual State governments. For a knowledge of current events in the legislative assemblies as well as in the markets, we turn to the files of the newspapers, of which those published in Richmond, Charleston, and the other centres are the fullest and most trustworthy. The large number of existing memoirs, diaries, biographies, and similar publications helps considerably to fill the gaps that must always perplex the student of Confederate history.¹

To an economist the history of the Confederate States centres about the government's attempts to secure the material means with which to carry on the war. The wealth of the South consisted chiefly of land and slaves, and its industries were almost exclusively agricultural. Mines and manufactures hardly existed. Its means of transportation were far behind those of the North, and its cities, with the exception of New Orleans and Charleston, of comparatively slight importance as trade centres. The States against which the South waged war comprised, roughly speaking, two-thirds of the country's population. The North was industrially much more advanced, its manufactures were vastly more extensive, its urban population was more numerous, its trade more advanced, its transportation system more highly developed, —in a word, its resources were far superior to those of

¹ See list of authorities in Appendix II.

the South, and were the cause of the final overthrow of the Confederate government. We shall leave untouched the question of how much of the South's industrial weakness as compared with the North was due to the adoption and perpetuation of the slavery *régime* and the consequent discouragement to a more advanced industrial organization.

The Southern Confederacy was rapidly organized; its Constitution was adopted, and the machinery of its government was in full working order, before the North had been aroused to the meaning of the movement, and before the XXXVII. Federal Congress had met and taken any measures in view of the impending conflict. Six weeks after the election of President Lincoln the State of South Carolina seceded from the Union; Mississippi, Alabama, Florida, Georgia, and Louisiana followed suit in January, 1861; Texas, on February 1; Virginia, Arkansas, Tennessee, and North Carolina held back till later.

On February 4, 1861, the Provisional Congress of the Confederacy met in Montgomery, and in a few days drew up and adopted a Provisional Constitution. On February 9 Jefferson Davis of Mississippi was elected President, and Alexander H. Stephens of Georgia, Vice-President, and on the 18th they were inaugurated.

All the States of the prospective Confederacy were represented at the opening of the Montgomery Convention, except Virginia, Arkansas, and Tennessee. The delegates included many who had been prominent in Washington, and who later took a leading part in the fortunes of the Confederacy. Among them were C. J. McRae and J. L. M. Curry of Alabama, Robert Toombs, Howell Cobb, A. H. Keenan, B. H. Hill, and A. H. Stephens of Georgia, C. M. Conrad and D. F. Kenner of Louisiana, W. W. Boyce, R. B. Rhett, R. W. Barnwell, and C. G. Memminger of South Carolina, J. A. P. Campbell of Mississippi, J. H. Reagan and J. Oldham of Texas.¹

¹ The personnel of the Confederate Congresses, 1861-5, and of their committees, also the names of the leading government officials, are given in *Off'l Rec'ds*

x "Constitution"? (after Conv. of Congress)
 + "Inauguration" - by Davis and J. H. Reagan (Davis, Reagan, Stephens, Hill, etc.)
 Texas delegates left Feb. 14. This left Davis, Hill, Reagan, Stephens, etc.
 (to states then in Union - etc.)

The Convention was at once organized with R. W. Barnwell as temporary, and Howell Cobb as permanent chairman. On February 12, the Provisional Constitution having been adopted, Congressional committees were announced. The Finance Committee comprised Robert Toombs (chairman), R. W. Barnwell, D. F. Kenner, W. S. Barry of Mississippi and C. J. McRae; the Military Committee, F. S. Bartow of Georgia (chairman), W. P. Miles of South Carolina, G. S. Sparrow of Louisiana and A. H. Keenan of Georgia; the Committee on Foreign Affairs, R. B. Rhett, E. A. Nesbit of Georgia, James Perkins, Jr., of Louisiana, R. W. Walker of Alabama, and L. M. Keitt of South Carolina.

The election of Davis and Stephens had been unanimous, though the latter, as well as Howell Cobb, Rhett, and Toombs, were mentioned as possible candidates for the Presidency.¹

The President at once appointed his Cabinet. Rhett and Barnwell were mentioned as available for the treasury portfolio. * Barnwell was the President's choice for the position, but he yielded to the wishes of the South Carolina delegation and appointed C. G. Memminger Secretary of the Treasury. Mr. Memminger, a German by birth, had been brought up in the family of Governor Thomas Bennett of South Carolina, and had studied and practised law in Charleston. For many years a member of the State legislature, he had interested himself particularly in questions of popular education, and had also given some attention to financial and banking matters. He had displayed no peculiar fitness for the position of organizer and head of the Confederate finances; and, it must be said, while holding that position, his leadership evoked much hostile criticism and little commendation. His rival in the management of the Federal finances, Salmon P.

Rebellion, 4th S., III, 1183 & ss.; N. Y. Herald, Feb. 4, 1861; Charleston Courier, Feb. 12, 15, 1861; Feb. 19, 20, 25, 1862; May 18, 1864; Capers, Memminger, 301-2 (cf. passim); Moore, Rebellion Record, IV, 191; Moore, Hist'y N. C., II, 247; N. C. Standard, Jan. 19, June 10, 1864; Richmond Examiner, Dec. 8, 1863; Jones, Diary (passim).

¹ Davis, Davis, 42-3; Pollard, Davis, 98-9; Rhodes, Hist'y U. S., III, 292-3.

* Davis (Hist'y Feb. 12)

I: 241-2) says: -

* It was my wish that
the Hon. Robert W. Barn-
well of South Carolina,
should be Secretary of
State. R. . . .

He intended to offer
the Treasury Department
to Mr. Toombs, of Ga.,
whose knowledge on sub-
jects of finance had
been already attracted
my notice when we
saw together in the
U. S. Senate . . .

Memminger was re-
commended by Barn-
well.

Chase, entering upon his office with a like lack of preparation, rose to greater eminence as a financier, notwithstanding his blunders. Other Southern statesmen might have been selected for the responsible position, but judging from the financial history of the United States since Colonial days, and from the peculiar conditions that prevailed in the South, it is doubtful whether any other Secretary of the Treasury would have handled the Confederate finances in any very different or more successful way.¹ The financial history of the South, which it is the purpose of this work to set forth, we are confident will bear out this conjecture.

The first session of the Provisional Congress lasted till March 16, 1861. Various acts were passed to organize a Confederate army by calling out 100,000 volunteers to serve one year unless sooner discharged. The State militia forces were called upon for six months' service; and, in general, the machinery of the State governments was relied upon. As early as March 6, 1861, the term of enlistment was lengthened to at least three and at most five years, — a strikingly far-sighted measure, — and the organization of a navy provided for.²

The financial measures concern us more directly. At the outset the Congress was confronted with the necessity of providing ways and means. The newly established Confederacy was about to begin a war the dimensions of which none could foresee. However, the need of a large revenue was patent to all. The individual States could not be expected to supply it. An independent Confederate revenue system had to be devised by providing for foreign and domestic loans and for taxes. It will be seen that, in keeping with the practice during most wars, the latter means of securing funds was pushed into the background, and the usual emphasis was put upon public loans. We shall attempt in this

¹ Capers, *Memminger*; Craven, *Davis*, 138; DeLeon, *Rebel Capitals*, 34; Pollard, *Davis*, 175; Alfried, *Davis*, 246, 375, 481; *Richmond Examiner*, Aug. 8, 24, 1864; Feb. 15, 1865; *Charleston Courier*, Nov. 27, 1861; Mch. 6, July 12, 1864.

² Acts Feb. 28, Mch. 6 (ch. 26, 29), Mch. 11, 14, 16, 1861.

chapter to give a concise account of the financial legislation of 1861 and 1862. By a resolution passed on February 8, 1861, the Congress accepted the gift or rather the loan of the State of Alabama, amounting to half a million dollars. Other States donated considerable funds to the Confederate treasury. In the case of Louisiana over half a million was offered,¹ which represented the amount of United States funds seized by the State government in New Orleans.

Numerous donations by individuals, corporations, and churches are mentioned during 1861, consisting of money, food, and clothing for the army. These continued during the war, and were particularly frequent during its closing months. Women figured prominently among the contributors. One of these patriotic Southern women even proposed that the entire Confederate debt be paid by securing the donation of the hair of all women in the South. This, it was calculated, could be sold abroad for forty millions of dollars in specie, — equal at the time, March, 1865, to two billions of dollars in paper currency. It is interesting to recall that one instance, at least, of women's selling their hair and devoting the proceeds to the support of the government when in distress actually occurred, — during the War of Liberation in Prussia.²

Of course, no great dependence was put upon donations as a source of government revenue. The Provisional Congress at once authorized the first Confederate loan, the so-called 15-million loan of February 28, 1861. This act authorized the Secretary of the Treasury to issue bonds to that amount bearing 8 % interest, payable in ten years, and redeemable in five at the discretion of the government by giving three months' public notice. After August 1, 1861, an export duty of $\frac{1}{8}$ of 1 cent a pound was levied upon cotton, payable in specie or in the interest coupons of this loan, the proceeds

¹ Resol'n Mch. 14, 1861.

² Newspaper files; *Confed. Archives*: Memminger to Congress, July 24, 1861; Jones, *Diary*, I, 81, 84, 114; Resol'n, July 30, 1861; Mch. 13, 1865; Act Aug. 31, 1861; May 19, 1864; Pollard, *First Year of War*, 219; *Lynchburg Virginian*, Mch. 25, 1865; Oncken, *Zeitalter der Revol'n*, II, 581-2 (note).

of this tax being specifically pledged to the payment of the interest and the principal of the issue, and the tax was to expire when the bonds were eventually cancelled. The Secretary was also authorized to create a sinking fund. This last provision was presumably not carried out; the other provisions, however, were faithfully adhered to. The small revenue from the export duty was not diverted to other purposes, and, partly as a result, these 15-million bonds were consistently quoted at a higher figure than those of later issues. Another and a paramount reason why these bonds were preferred by investors was that they were issued before any treasury notes had been authorized, and no subsequent issues of notes were made exchangeable at par for the bonds, which "funding" provision we shall see was applied to later loans, and helped to keep the quotations of such bonds near par in currency, or far below that figure in specie as the gold premium increased. The bonds of the 15-million loan were quoted at par, in currency, till the middle of 1862; then they rose to 200, and ranged between 125 and 200 till January, 1865. In specie, the quotations were between 80 and 90 till the second quarter of 1862; then they fell to 33 by the winter of 1862-3, and to 20, 17, 10, 7, and 6 during successive quarters.

The Secretary at once arranged to float the 15-million bonds at par and obtain specie in payment. Commissioners were appointed in each State to stimulate subscriptions. Intending subscribers were assured that the export duty would supply a sufficient revenue to meet the interest charge and supply one million dollars annually for the sinking fund. Subscriptions were opened in all the large cities, and met with a hearty response, especially in New Orleans and Charleston, where over \$5,000,000 were taken in the first day. A serious difficulty, however, soon arose. Subscribers could not easily obtain the specie with which to meet the 5% payment called for at the time of subscription and the 95% due on or before May 1, 1861. The general suspension of the banks, especially in South Carolina, called

for action by the Secretary. At the end of March he directed the Commissioners to accept banknotes at their specie value. This could not have helped matters. On the other hand, he could not allow the acceptance of banknotes at their face value for fear that the large subscriptions by parties in New Orleans and Mobile, where the banks were still solvent, would be made in the depreciated banknotes of other States; nor could he refuse to accept payment of subscriptions in the notes of suspended banks.

Fortunately for the success of the loan the suspended Charleston banks early in April agreed to redeem in specie as many of their outstanding notes as were used in paying for the bonds. Other banks followed suit, and the Secretary continued to accept such banknotes, which he then redeemed for specie at the banks' counters.

On the whole the loan was a success. Some of the subscriptions must have been allowed to lapse before the 95 % fell due; but by November, 1861, practically the entire amount had been subscribed, half indeed during the months of May and June, and over 8 millions before July 19, 1861. Of the entire amount, nearly two-fifths were subscribed in New Orleans, less than one-fourth in South Carolina, less than one-fifth in Georgia, and less than one-tenth each in Virginia and Alabama.¹

Beside offering to redeem such of their notes as were presented to the government in payment of the bonds, the banks materially assisted the loan by themselves subscribing for large amounts. In either case, as a result of the loan, the banks lost a large part of their specie to the government, as did the Northern banks under Secretary Chase's financial régime. The specie was presumably sent abroad, or soon found its way there as the gold premium increased.

¹ Act May 11, 1861; *Confed. Archives*: Memminger's letters, Mch. 18, 27, 28, Apl. 5, 13, 23, June 6, 25, July 20, 1861, W. B. Johnson to Memminger, Mch. 21, 1861, Comm'rs to the same, May 27, 1861; *Rep'ts Sec'y Treas'y*; *Charleston Courier*, Apl. 1, 6, 8, 11, 12, 15, 17-20, June 22, Dec. 30, 1861; Jan. 4, 1862; *Newbern Progress*, Apl. 17, 1861; *Off'l Rec'ds Rebellion*, 1st S., LII, p. 53; Va. ord. July 1., 1861.

The issue of Confederate treasury notes began with that authorized on March 9, 1861. By this act one million dollars in interest-bearing notes were created; a later act of August 3, 1861, doubled the amount. They bore annual interest at the rate of 3.65 %, that is, a one hundred dollar note yielded one cent a day. They were intended as a temporary expedient, and fell due in one year, but could be re-issued when received by the treasury until March 1, 1862. Their size — the smallest denomination was \$50 — and their being transferable only by endorsement indicate that they were not intended for general circulation, but as an investment. The notion that holders of interest-bearing notes would find it to their advantage to hold them as an investment and withdraw them from circulation and so prevent their redundancy prevailed in the South as well as in the North, and was a repetition of the similar experience in France seventy years before.¹

The Confederate government at once began issuing these interest-bearing notes, and by July 19 had exceeded the limit set by the act of March 9. As a result, the limit was raised as has been noted. By November 16, 1861, the new limit, \$2,000,000, had been passed, but thereafter the issue of these notes was superseded by others for which they were exchanged, but on January 1, 1863, nearly one million were still outstanding.

On May 10, 1861, the Secretary presented a comprehensive report with recommendations for future fiscal legislation. Up to May 1, 1861, the revenues of the Confederate government had amounted to something over a million dollars, practically all of it being funds seized from the United States mints and custom houses in the South. The Secretary anticipated no large revenue from import and export duties in the immediate future, and looked to loans and direct taxes as the chief sources of revenue. For the purposes of direct taxation he advised depending on the States' tax machinery to raise at most \$15,000,000. We shall see² how effectively

¹ White, *Fiat Money in France*, 10; Palgrave, *Dict'y Pol. Econ.*, I, 63.

² See pages 284 & ss.

and promptly the recommendation was carried out by the Congress. Turning to loans as the chief source of revenue, the Secretary expressed his doubts of being able to float another beside the 15-million loan before the next crop was harvested, and had provided intending investors with the necessary funds. He recommended, however, a provision for a 50-million 8 % bond issue, the government to accept from investors the tender of any resources available as a means of credit, — a suggestion pointing toward a produce loan. In view of the difficulty of providing an immediate revenue by any form of taxation or by the issue of bonds, the Secretary urged the issue of three-year treasury notes in anticipation of such revenue, and proposed that they should be issued of two kinds: of small denominations, — \$5 and \$10, — bearing no interest and evidently intended to serve as a circulating medium; and some of larger denominations, to bear interest, and intended to appeal to the investor.

3- The last suggestion regarding interest-bearing notes was not at the time acted upon by the Congress. But the other treasury notes and the bonds recommended were authorized by the act of May 16, 1861. This act provided for 50 millions in 20-year 8 % bonds, of which more below. In lieu of 20 millions of these bonds that amount in non-interest-bearing treasury notes was authorized, in denominations of at least \$5, and redeemable in specie in two years. These "two-year notes" were receivable by the government in payment of all taxes except of the cotton export duty, and also in payment of subscriptions for the 20-year 8 % bonds. Moreover, they could be re-issued and — a very important provision — they were made exchangeable at par for 10-year 8 % bonds, an issue of which for that purpose was authorized. As a result of this funding provision the market price of the bonds could not rise appreciably above par. The notes instead of being raised in value by the bonds, as it was hoped would be the case, in point of fact dragged down the bonds to their level. This result might naturally have been apprehended.

It is evident in this early Confederate loan act that the Congress already scented the popularity of a paper money policy, and willingly started the ball rolling with an issue of 20 millions in notes. The Secretary's tax recommendation was easily disposed of by pledging the faith of the Confederacy to provide a revenue with which to cancel the bonds and notes and calling upon that official to collect information about methods available for raising \$10,000,000 — a third less than he had suggested — by means of taxation.

Great difficulty was found in securing the services of skilled engravers and a supply of paper, and, as usual under similar conditions, assistants were provided for the particular government officials in signing the notes.¹ By November 16, 1861, \$17,847,955 in two-year notes, out of a total of 20 millions authorized, had been issued. Large amounts were exchanged for other issues or for bonds during 1862, and on January 1, 1863, not quite 11 millions were still outstanding.

The two-year notes had barely begun to be issued, — in fact, owing to the delay in their manufacture, the banks had advanced nearly two millions in banknotes in anticipation of their issue, — when the Secretary intimated to the Congress on July 29, 1861, that bonds were neither popular nor available, and advised further issues of notes. He still held to his recommendation of interest-bearing notes in large denominations, which were also recommended at a bank convention held in Richmond at that time. The standing committee of this convention even reported that a further issue of 100 millions in notes could be safely undertaken by the government.²

The Congress followed up these suggestions on August 19, 1861, by authorizing an issue of non-interest-bearing notes to the amount of 100 millions and in \$5 and larger denominations. They were made tax receivable, like the former issues, as well as fundable in the 8 % bonds provided by the same

¹ Capers, *Memminger*, 336 ; Act July 24, 1861.

² *Rep't Sec'y Treas'y*, July 29, 1861 ; *Charleston Courier*, July 29, 1861.

act. The redemption of the notes was pushed off indefinitely to "six months after the ratification of a treaty of peace between the Confederate States and the United States." On December 24, 1861, the limit of 100 millions was further raised to 150 millions. On the same date an issue of 6 % bonds or call certificates was authorized and made exchangeable for treasury notes, which could again be converted into 6 % bonds. This issue aimed to combine the requirements of an investment with those of the circulating medium. By August 1, 1862, 37½ millions of these call certificates, and by the end of 1862 a further 22 millions, had been issued. The holders evidently preferred to use them as currency, and exchanged only a small part for bonds, for in January, 1863, 56½ millions, and in April 1, 1864, 40½ millions were outstanding.

To return to the issue of bonds under the act of May 16, 1861, the amount was first put at 50 millions, but increased to 100 millions on August 19, and to 150 millions on December 24, 1861. The bonds became known as the 100-million loan, and represented a wide departure from the first, the 15-million loan. The latter was aimed at the banks and the commercial community; the 100-million loan was especially directed at the planters. The bonds bore 8 % interest, fell due in 20 years, and were to be sold for specie, military stores, or for the proceeds of the sale of raw produce or manufactured articles to be paid in specie or in foreign bills of exchange. The Secretary counted on half the loan's being a "produce loan," the planters virtually turning over their food products and cotton to the government in payment of 50 millions of the bonds. A further part of the issue he expected would go to noteholders who wished to fund their notes in bonds. The rest of the issue was open for subscription in treasury notes or banknotes current at par in the commercial centres. The difficulty of obtaining specie in payment of the 15-million bonds, and the increasing currency disorders due to the paper money policy, drove the government to devise these means of floating the new loan. By making it at least in part a prod-

uce loan, the government aimed to secure the needed supplies without the intervention of the deranged currency. Notices of the loan were published in the newspapers soliciting the contribution of crops. Cotton, corn, flour, bacon, pork, beef, and similar produce were desired,—the food articles by the commissary, and the cotton by the treasury departments. Agents were appointed in the various States, and tried to impress the planters with the profitableness of the proposed investment if the Confederacy succeeded; and if the government should collapse, the planters' property would have no value at all.¹

In order to raise the value of the bonds given in exchange for produce, a part of them fell due and were payable every six months beginning January 1, 1864, which engagement was apparently adhered to, though it could not have improved the standing of the bonds, as the redemption was necessarily made in depreciated treasury notes.²

The agents who solicited subscriptions to the produce loan were reasonably successful in their efforts. By the end of 1861 over 400,000 bales of cotton had been offered, 1000 hogsheads of tobacco, 5000 bushels of wheat, 270,000 bushels of rice, 1000 hogsheads of sugar and molasses, and about \$1,000,000 worth of other produce; also \$1,000,000 in money, that is, in treasury notes or banknotes.³ The preponderance of the cotton subscribed—in value more than nine-tenths of the total subscription—is noticeable, and indicates the leading motive in the introduction of the produce loan, namely, the relief of the cotton planters, who were largely in debt, and were shut out of a market for their staple by the efficiency of the Federal blockade.

¹ *Rep't Sec'y Treas'y*, Mch. 14, 1862; *Charleston Courier*, July 4, 1861 (Memminger to D. F. Drayton); Jan. 3, 25, 31, 1862; *Confed. Archives*: letters of J. A. Jordan, June 27, 1861, C. Mason, July 16, 1861; *Off'l Rec'ds Rebellion*, 4th S., I, 689-91 (Memminger to Comm'rs); *Economist* (London), XIX, 1261 (Nov. 16, 1861).

² *Richmond Examiner*, Dec. 22, 1864; *Charleston Courier*, Jan. 3, 1862; Jan. 25, 1865; Act June 13, 1864.

³ *Confed. Archives*: Rep'ts to Memminger, Jan. 16, 1862, Jan. 9, 1863.

Pollard claims that President Davis originated the idea of a produce loan.¹ This, however, is not likely, as the notion that the government should secure the cotton by making advances to the planters was very widely expressed and discussed. In June, 1861, a correspondent of the Treasury Department² urged the government to pay for the cotton it secured under the produce loan of May 16, 1861, in 8 % treasury notes instead of in bonds. The latter were not desired by the planters; the notes, on the other hand, would enable them to cancel their debts. "Relieve private indebtedness and you relieve the government" was the writer's advice. This plan involved making the notes a legal tender, which was also proposed by another correspondent.³

From all sides came proposals that the government should buy the cotton crop outright with an issue of treasury notes as a means of saving the planters from bankruptcy and supplying a ready currency based on the foreign scarcity value of cotton and tobacco. It was the old device of converting a form of capital having at the time and under the peculiar conditions only a fictitious value, into some other form in which it could be used for paying debts. The issue of paper money based on the security of the confiscated land of the *émigrés* during the French Revolution offers a striking parallel. The notion prevailed that the government was converting into available form a valuable asset. A large debtor class had arisen, its nucleus being the persons that had bought the confiscated land from the government, and these persons were interested in further issues of notes. The Southern planters were in the position of speculators, heavily in debt for the purchase of land which they are anxious to realize upon at a time when the real estate market is disorganized, and no buyers on any terms can be found. At some of the conventions of cotton planters held to devise means of relieving

¹ Pollard, *Davis*, 173.

² *Confed. Archives*: W. C. Bibb to Memminger, June 16, 1861.

³ *Confed. Archives*: W. C. Smedes to Memminger, July 10, 1861; cf. *Richmond Whig*, Nov. 14, 1861 (corresp.).

their distress, resolutions were offered and sometimes passed calling upon the government to issue notes and buy at least a part of the cotton crop.¹

Others had in mind the relief the banks could and should offer the planters by making liberal advances to them on the security of their crops. Some wished the banks to supplement the relief offered by the government, and urged a policy of banknote extension and a suspension of specie payments to meet the demands of the situation; others urged that the government should not be drawn into straining its credit in order to make advances to the planters, but should leave the matter to the brokers and bankers.²

Secretary Memminger's attitude toward the policy of government advances to the cotton planters was rather equivocal. In his report of May 10, 1861, he hinted at the planters' putting their cotton at the government's disposal as a means of credit, that is, in exchange for bonds issued on their security. This he soon saw met the wishes of the planters, and he wrote to a correspondent in South Carolina in July, that he was thinking out a plan of lending the government's credit to planters by advancing treasury notes at the rate of 5 cents per pound of cotton offered, the notes to bear interest. He claimed such a plan would offer all the advantages without the evils of a bank. On further consideration of the subject, however, he tried to shift upon the Congress the responsibility of inaugurating some relief measures, and assured the planters in a circular, dated September 5, of the department's sympathy with their difficulties. A month later he had become convinced that such government aid was inadvisable, and strengthened his position by maintaining that it would be

¹ *N. O. Price Current*, June 22, 1861, quoting *Mobile Register & Advertiser*; *Charleston Courier*, July 22, 1861, Feb. 26, Mch. 3, 1862 (Convention, Richmond, Feb., 1862); *Confed. Archives*: L. P. Blackburn to Memminger, Oct. 2, 1861; *DeBow's Rev.*, Oct. & Nov., 1861, p. 462 (Convention, Macon, Oct., 1861); Polard, *Davis*, 178-9; *Richmond Examiner*, Nov. 4, 1861; *Charleston Mercury*, Jan. 16, 1862 (Convention, Onachita County, La.).

² *Richmond Whig*, Nov. 14, 1861; *Charleston Courier*, July 29, Oct. 16, 17, Dec. 9, 1861; *N. O. Delta*, Oct. 5, 1861.

clearly unconstitutional. However, he suggested that the Constitution might be amended to meet these objections. On the other hand, his arguments against the practicability of either purchasing the entire cotton crop or making advances on a large part of it were convincing. Such a scheme involved the issue of from 100 to 175 millions in additional treasury notes, and would wreck the government's finances by destroying its credit at the outset of what promised to be a gigantic war. The value of its currency would be doomed, and the government would be in no way benefited by holding the planter's note or his cotton, neither of which the government wanted.¹

At the time it looked as if the Congress had taken the same stand that the Secretary had finally taken, and had determined against any legislation for the relief of the planters.² But the seed had been sown in providing for a produce loan, which gave the planters a taste of what they might expect in the way of relief from the government, and provided the government with a large supply of cotton, which at first and as late as the fall of 1861 Mr. Memminger looked upon as a white elephant, but which he soon learned to use as a means of speculation, especially by issuing bonds upon its security. This phase of the Confederate finances we shall present under the head of the foreign loans attempted and effected.³

The relief measures which the Confederate Congress refused to the planters the individual State legislatures freely provided. Mississippi led the way during the first year of the war. On August 2, 1861, the State legislature memorialized the Congress, urging that body to declare the Confederate treasury notes a legal tender. It represented also "the expediency of affording the planters a market for their cotton and tobacco crops by the purchase of the same or liberal

¹ *Rep't Sec'y Treas'y*, May 10, 1861; *Charleston Courier*, Sept. 19, 1861 (Memminger to subscribers of produce loan); *Off'l Rec'ds Rebellion*, 4th S., I. 689-91; Capers, *Memminger*, 352; Moore, *Rebellion Record*, I, 206-8; *Confed. Archives*: Memminger to W. W. Harlee, July 9, 1861; Pollard, *Davis*, 178-80.

² *Newbern Progress*, Dec. 7, 1861; *DeBow's Rev.*, Dec., 1861, p. 558.

³ See pages 252 & ss.

advances to them, by the Government, of Treasury notes for those commodities, in order to afford to the Government a basis for the redemption of the notes so issued, and to afford the necessary moneyed facilities to the planters and others to pay their individual liabilities and carry on their business without interruption or material embarrassment during the war." The memorial added that such a policy would put a powerful lever — in the shape of a large supply of cotton — in the hands of the government with which to coerce the Federal government into peace; and at the close of the war the Confederate States would be most free from foreign indebtedness, and its inhabitants most wealthy of any nation, because the money was spent among their own people, — the latter a familiar protectionist argument that had never appealed to the South. This memorial did not convince the Congress, and in the winter of 1861-2¹ the Mississippi legislature authorized large amounts of State treasury notes in denominations as small as one dollar to be advanced on cotton at the rate of 5 cents a pound, — roughly one-half of its market value at the time, — the cotton being left on the plantations. With specie driven out of circulation, people welcomed the new currency. One newspaper praised it because it was "based on our productions, which at present is dead capital."² It was again the case of the "land poor" speculator welcoming a paper money inflation and the market it created.

In Louisiana a similar scheme was proposed in the legislature. At first it was planned to issue 10 millions in State treasury notes for the relief of the cotton planters; the amount was reduced to 7 millions, but the bill was nevertheless vetoed by the Governor, to the disgust of the planters and with the approval of the bankers and cotton factors in New Orleans.³

The fifth session of the Provisional Congress closed on

¹ *Miss. acts* Nov. 29, Dec. 29, 1861; Jan. 29, 1862; 22 Wallace, 479.

² *Vicksburg Eve. Citizen*, Dec. 24, 1861.

³ *Charleston Courier*, Jan. 29, 31, 1861.

February 18, 1862, and with it the first year of the Confederacy as an organized government. The financial measures of this first year may be summarized as follows: An issue of 15 millions of dollars in bonds had secured for the government's use a large part of the available specie held by the banks. This went abroad for the purchase of supplies. A further issue of 150 millions in bonds had largely been subscribed for in produce, especially in cotton, which had opened the way for an agitation in favor of relieving the cotton planters by government advances on the security of their product, and which also laid the foundation of the government's later policy of hypothecating the cotton at home and abroad by issuing cotton bonds. This loan was in part also paid for in treasury notes, large issues of which had been authorized. Attempts were made to borrow the capital of the people without disturbing the circulating medium. Some of the notes bore interest, and most of them were fundable in bonds, in the hope that they would be taken out of the circulation and treated as an investment, thereby obviating a redundancy of the currency. But the seeming impossibility of obtaining any revenue from taxation and the difficulty of floating any bonds after the first issue drove the authorities irresistibly to relying more and more upon a forced loan in the shape of non-interest-bearing notes. Before the beginning of 1862 the Confederate government was irretrievably committed to a paper money policy, which became the chief reliance of its treasury. The total expenses of the first fiscal year were over 165 millions; the receipts, 139 millions; the difference remaining in the treasury in the shape of treasury notes to the credit of disbursing officers. Of the total receipts, 105½ millions, or 76 %, were derived from the issue of treasury notes; 31 millions, or 22 %, from the issue of bonds; and the remainder, from the seizure of United States funds and from an insignificant customs revenue.

It is important to notice that apart from customs duties taxation was not resorted to for the purpose of raising a revenue.

CHAPTER II

THE FINANCIAL LEGISLATION OF 1862-1863

THE FIRST PERMANENT CONFEDERATE CONGRESS—FURTHER ISSUES OF BONDS AND NOTES—INTEREST-BEARING NOTES—NOTES OF SMALL DENOMINATIONS—PRODUCE LOANS—COTTON LOANS—FOREIGN SUPPLIES—ERLANGER FOREIGN LOAN.

THE Permanent Constitution went into effect on February 18, 1862. It had been ratified by the various State legislatures during the previous spring. Davis and Stephens, who had been re-elected on November 6, 1861, entered upon their six-year terms on February 22, 1862, and the Senate and House of Representatives convened four days earlier. The Senators included, among others, C. C. Clay, Jr., and W. L. Yancey of Alabama, B. H. Hill and H. V. Johnson of Georgia, W. E. Simms of Kentucky, W. T. Dortch, and George Davis of North Carolina, R. W. Barnwell and J. L. Orr of South Carolina, R. M. T. Hunter of Virginia, G. A. Henry of Tennessee, and L. T. Wigfall and W. S. Oldham of Texas. The important Finance Committee comprised Senators Barnwell, Hunter, Davis, and Henry. Of the 26 Senators, 14 were former members of the United States Congress; of the 106 Representatives, 33 had similarly represented the South in Washington. T. S. Boocock of Virginia was elected Speaker. The personnel of the important House Committees was as follows: the Ways and Means Committee comprised D. F. Kenner of Louisiana, G. W. Jones of Tennessee, M. L. Bonham of South Carolina, M. R. H. Garnett of Virginia, J. McRae of Mississippi, F. S. Lyon of Alabama, W. B. Machem of Kentucky, H. Holt of Georgia, R. MacLean of North Carolina; the chairman of the Com-

mittee on Military Affairs was W. P. Miles of South Carolina; of the Committee on Foreign Affairs, H. S. Foote of Tennessee; of the Judiciary Committee, L. J. Gartrell of Georgia.

The new Congress had to face a serious crisis during its first session. After the Federal inactivity during the second half of 1861, the spring of 1862 brought a succession of Confederate reverses. Forts Henry and Donelson fell early in the year. General Johnston retired from his position at Manassas, the hopes centred in the "Merrimac" were shattered by the "Monitor," important seacoast towns were captured, and the brilliant Federal operations on the lower Mississippi followed. These reverses were reflected in the stringent measures adopted at Richmond. The writ of *habeas corpus* was suspended by the Congress during the first days of the session, martial law was declared in various cities, and the first conscription act was passed soon after.¹

The fiscal legislation of the session followed Mr. Memminger's report of March 14, 1862, — he had been re-appointed Secretary of the Treasury. In this report he reviewed the operations of his department during the past year. He pointed out the difficulties attending the issue of bonds, owing to the wholesale suspension of the banks, which, however, he did not bring into connection with the government's paper money policy; and indicated that the produce loan had aimed to avoid these difficulties, and had supplied the government with cotton as a basis for credit. He still counted on the efficacy of notes being "fundable" in bonds in "relieving any redundancy in the currency, by withdrawing a part of the circulation," though he was obliged to confess that the currency was already redundant.

The Secretary's estimate of government expenses during the coming nine months was 215 millions. To meet this amount he counted on 18 millions in bonds still available of the 100-million loan, and on 20 millions as the proceeds of the direct war tax, levied on August 19, 1861, and collectible

¹ See pages 186, 193.

during 1862,¹ the amount of which he overestimated by several million; the remainder, or 176 millions, he proposed to raise by new taxes, and by the issue of bonds and of notes. He was not very urgent about establishing a tax revenue, and only proposed a tax of sufficient size to sustain the proposed loan, that is, to pay the interest on the additional bonds. More than this could not be expected, he thought. He proposed to issue bonds to the amount of 164 millions, and make subscriptions payable in produce. Intending subscribers, he said, had property in abundance, but not in the shape of money. They should be accommodated, and the government should accept farm produce, clothing and other manufactured articles, railroad transportation, coal, and iron for its bonds. Moreover, he recommended devising a plan by which the government might use this produce, — other than the part of it available for army use, — for remittance abroad with which to purchase the necessary foreign supplies. He had distinctly in mind the possibility of the government's taking the place of the planters in hypothecating their staple or shipping it abroad and drawing against it. "The cotton and tobacco crops have usually furnished the means of making foreign payments, and they can probably now be used with advantage for the same purpose." As to the issue of treasury notes, the Secretary granted that it was a most dangerous method of raising a revenue, and that 108 millions were then outstanding, a fifth more than the entire currency of the South before the war, and 8 millions more than he had in a previous report deemed a safe limit. Still, he recommended an additional note issue of 50 millions, 10 millions of which were to be held in reserve by the treasury and issued to holders of deposit certificates on any sudden and unexpected call, and to be returned to the treasury as soon as possible, — a futile proviso on the face of it.

The Congress soon acted upon the Secretary's recommendations, and adopted those regarding the issue of bonds and notes, but did not attempt for the present to add to

¹ See pages 286 & ss.

the war tax levied in 1861. The act of April 12, 1862, sometimes dated April 18, 1862, authorized an issue of 165 millions in 8 % bonds payable in 30 and redeemable at the option of the government in 10 years. The same act also provided for additional treasury notes to the amount of 50 millions, of which, as desired by the Secretary, 10 millions were to be held in reserve for sudden emergencies. These notes, as heretofore, were made exchangeable at par for bonds. For this purpose a part of the 165 millions in bonds were to bear 6 % interest and to run 10 years,¹ and they were made reconvertible into notes at the holder's pleasure. This desire to make notes and bonds interchangeable had its peculiar attractions. Though aimed in theory at preventing a redundancy of the currency by encouraging note-holders to exchange notes for bonds and presumably to their advantage, in practice it did not materially reduce the amount of notes in circulation, but simply enabled those who advanced their produce to the government to exchange the bonds they received in payment, for notes with which they paid their debts or made their ordinary purchases. Or, if the subscribers to the produce loan could not conveniently make the exchange, they sold their bonds, thereby depressing their value, and thus obtaining the desired notes.

The confusion between bonds as an investment and notes as a circulating medium, and the futile attempts to make a bond as attractive as a note and still keep it out of circulation and prevent its adding to the inflation of the currency, are further illustrated in the interest-bearing notes authorized by the act of April 17, 1862. The previous act of March 9, 1861, had created 3.65 % notes; a year later similar notes were authorized and made more attractive by bearing interest at the rate of 7.30 %. They were issued in denominations of \$100, and were payable six months after a prospective treaty of peace; they were, as usual,

¹ The limit was first put at 50 millions and raised on September 23, 1862, to 100 millions.

receivable for taxes except for the cotton export duty, and were issued in lieu of a part or all of the 165 millions in bonds just provided for. They were evidently planned to combine the attractiveness of an interest-bearing investment with the readiness of circulation of a note; and still it was hoped they would not become generally current, but be kept locked up by investors. Bankers had advised the issue of such notes.¹ At first the banks received these interest-bearing notes willingly. Large amounts were issued; on August 1, 1862, nearly 23 millions were outstanding; and on January 1, 1863, 114 millions. The government soon found that they were not being held as an investment, but were largely circulated, — the easier because of the abnormally high range of prices, — adding greatly to the redundancy of the currency.² They continued to be a source of annoyance to the government, and finally in connection with the notorious funding act of February 17, 1864, it was provided that these 7.30 % notes should be no longer tax receivable, and should be deemed bonds and be payable two years after a treaty of peace. They continued to circulate, notwithstanding, and a final attempt was made on November 28, 1864, to drive them out of circulation by making them exchangeable for 30-year 6 % bonds, which could not have succeeded, for it was generally more profitable to circulate the notes than to hold them. As the inflation of the currency grew, the popular demand for increased issues of notes and the requirements of the government to meet increased appropriations owing to the growing dimensions of the war and the rapid rise in prices inevitably led to further issues.

The demand for notes in small denominations was met on April 17, 1862, by an issue of 5 millions in notes of denominations of \$1 and \$2, which did not bear interest and fell due six months after the ratification of a treaty

¹ *Charleston Courier*, July 29, 1861 (Richmond bank convention); *Confed. Archives*: Denègre to Memminger, Dec. 28, 1861.

² *Richmond Examiner*, July 19, 1862 (edit.).

of peace. These notes were in great demand, and their amount was increased to 10 millions in the fall of 1862 on the Secretary's recommendation.¹ By the end of the year over 6 millions were outstanding. In the following spring treasury notes in denominations of less than \$1 were authorized to meet the demand for small notes, and began to appear in circulation in June.²

Besides increasing the amount of small notes the act of September 23, 1862, made a sweeping provision for issuing bonds and notes, — preferably bonds, — like those already authorized,³ without limit to meet the appropriations of the Congress. These necessarily grew to enormous proportions with the general inflation of prices. From February 18, 1862, to the end of the calendar year the Secretary reported ✓ total government expenditures of 417 millions, — about twice the amount he had anticipated in his report at the beginning of the period, of which 362 millions were for the support of the army and navy, and nearly 36 millions for interest on loans and redemption of notes, all payable in notes. Of the receipts during this period 85 % were from the issue of treasury notes and call certificates, — roughly one-half of them interest-bearing, — and 9 % from the issue of bonds.

Some efforts were made to avoid putting so much reliance upon the issue of notes by extending the system of produce loans, but this did not improve matters materially. An act of April 21, 1862, was passed on the Secretary's recommendation, authorizing the exchange of bonds for any articles the government had need of. Subscriptions were invited in cotton, tobacco, — up to the amount of 35 millions in bonds, — and in any agricultural produce. The Secretary was to obtain advances on the produce, especially the cotton, by hypothecating it at home or abroad and issuing produce certificates,

¹ *Rep't Sec'y Treas'y*, Aug. 18, 1862; act Sept. 23, 1862.

² Act Apl. 27, 1863; *Richmond Examiner*, Apl. 3, June 2, 1863; *Charleston Courier*, June 13, 1863.

³ By acts of Aug. 19, Dec. 24, 1861, & Apl. 12, 1862.

that is, he was authorized to swell the redundant currency in a roundabout way. Regulations were published describing the methods of subscribing cotton in kind, subscribers being allowed to retain the cotton in storage on their plantations, and were even allowed to pay their subscriptions in treasury notes at any time, which provision was opposed to the very object the loan was aimed at, and enabled the planters to profit by a rise in the value of cotton, by holding it and paying their subscriptions in notes.¹

The system of produce loans was further extended by an act of February 20, 1863, and especially by a secret one dated April 30, 1863,² which provided for an issue of 250 millions in 20-year 6 % bonds to be sold for agricultural produce or for treasury notes at not less than par. Interest was payable in currency or in cotton at 8 pence a pound. The principal was payable in specie or at the discretion of the government in New Orleans middling cotton at 6 pence per pound, the cotton in either case to be delivered at any one of seven enumerated Confederate ports. So, for instance, the interest due on June 1, 1864, was payable in cotton delivered at Mobile.³ Before that date, however, namely on February 6, 1864, this secret act had been repealed. At the time the rise in the value of cotton abroad after the summer of 1863 made it seem inadvisable to the Secretary to make loans payable in specific amounts of cotton, and induced him to make subsequent foreign contracts payable in money obtained from the sale of cotton which he had already shipped.⁴ While the above loan act was in force 5 millions of the bonds had been floated in July, 1863, at above par in treasury notes, and another 5 millions had been placed.

The individual States followed the example of the Confederacy in issuing bonds on the security of cotton obtained

¹ *Charleston Courier*, June 3, 5, 12, 1862.

² Text in *Charleston Mercury*, July 18, 1863, & *Charleston Courier*, Oct. 31, 1863.

³ *Charleston Courier*, May 28, 1864 (Notice, Sec'y Treas'y).

⁴ *Confed. Archives*: Memminger to McRae, July 17, 1864.

in exchange for the bonds or by the issue of State treasury notes. Texas made especially strong efforts to engage in such speculations. Her cotton bonds were made payable from six to twelve years after the close of the war, and the interest of one issue was made cumulative and payable in specie one year after its close. The State lands were also hypothecated as security for the eventual payment of these bonds,—as was done during the French Revolution. This financial experiment of Texas interfered with the similar cotton speculation carried on simultaneously by the Confederate government through its Trans-Mississippi Cotton Bureau, and led to a conflict between the two governments, such as we shall have more examples of. North Carolina and Mississippi engaged in similar ventures. In the case of Mississippi the avowed purpose was the relief of the cotton planters by supplying them with a “sound circulating medium;” in the case of North Carolina it was to obtain supplies from abroad in exchange for the cotton bonds based on the cotton which was bought and stored by the State governments. The transactions were supervised by a commissioner who had gone to Europe in the interest of the State government as early as the fall of 1861.¹

Early in the war the affairs of the produce loan had been in charge of a special department. This bureau was chiefly concerned with securing cotton from the planters in exchange for bonds and to some extent for notes, and with shipping it abroad, or using it as collateral security in obtaining advances, especially from foreign merchants. In all, some 430,000 bales were obtained by the government during the war, most of them before the fall of New Orleans in the spring of 1862. Less than 20,000 bales were successfully exported, of which about 19,000 bales reached the foreign consignees. Some 2000 hogsheads of tobacco were also

¹ Tex. acts Dec. 10, 16, 1863; *N. C. Standard*, Dec. 15, 1863; N. C. acts July 6-7, Dec. 14, 1863; *Raleigh Progress*, Dec. 18, 1863; Peyton, *Am. Crisis*, I, 113; N. C. Convention, 1865, *Rep't Treas'r*; *Charleston Courier*, Jan. 15, 1863; *Off'l Rec'ds Rebellion*, 4th S., II, 251 (Gov. Miss. mess.); 1st S., XXXIV, pt. 3, pp. 730-4.

secured in Virginia by the government, of which an insignificant amount was exported. Of the government cotton that remained in the country,—generally stored on the plantations,—about a quarter was destroyed on the approach of the enemy or was captured. Much of it was ruined by exposure or sold to the enemy or to others. As the price of cotton rose abroad, the planters became reluctant to let the government have the advantage of speculating in their staple, and the subscriptions to the produce loan fell off. Subscriptions already made were evaded to a great extent, no difficult matter when the enormous territory to be covered by the officials and the inaccessibility of many of the plantations are considered. Toward the end of the war the government made some efforts to secure more cotton by impressment or by offering a good price in notes, the cotton being sold for sterling exchange and shipped. It is evident that the produce loan had run its course before 1863, and that later no considerable additions were made to the supply of government cotton obtained thereby.¹ Already in 1863 there is shown some unwillingness on the part of the planters to lose control of their cotton, for during the nine months ending September 30, 1863, only \$2,000,000 in cotton certificates were issued. Six months later, however, the amount outstanding had risen to over \$8,000,000.

In another connection we shall point out² the extent and character of the cotton exports undertaken by the Confederate government. We are here concerned with the government's policy of hypothecating the cotton in its possession by effecting or attempting loans on its security. The au-

¹ *DeBow's Rev.*, II, 328 & ss. (1866); *Rep't Prod. Loan Off.*, Nov. 30, 1863; *Rep'ts Sec'y Treas'y*; *Charleston Courier*, Feb. 10, Mch. 13, 1863; *Richmond Examiner*, Feb. 5, Mch. 10, Dec. 30, 31, 1863; *Confed. Archives: Letters to Memminger*, Jan. 9, 30, 1863; Apl. 9, 1864; Memminger to Davis, May 25, 1864; to Sec'y Navy, Aug. 5, 1864; Sec'y Trenholm, Nov. 7, 10, 29, 1864; *Off'l Rec'ds Rebellion*, 1st S., XXXIV, pt. 2, p. 1106; LII, pt. 2, p. 507; *N. C. Standard*, July 1, 1864; McRae in *London Times*, Aug. 6, 1863; Jones, *Diary*, II, 382 (Jan. 11, 1865); *Lynchburg Virginian*, Jan. 23, 1865.

² See pages 252-4.

thorities were urged, especially in the winter of 1862-3, to purchase the entire cotton crop, the value of which in the world's market, it was seriously maintained, was sufficient to pay the entire Confederate debt and re-establish the currency on a specie basis.¹ The notion prevailed that "no nation has ever had in its hands so much wealth in a single article of production." Similar proposals were constantly made with a view to the government's assuming control of the avowedly valuable monopoly of the cotton supply, in order to establish an unlimited credit abroad.²

Under similar conditions in 1779 Hamilton had urged Robert Morris to effect a foreign loan as the only remedy for the disturbed state of the currency.³ In Revolutionary times the financial condition of the treasury compelled the government to obtain the highly prized foreign supplies by placing loans on the Continent on the security of exported American products, especially tobacco and cotton,⁴ which it was found very difficult to get to their destination owing to the watchfulness of the English cruisers. Similarly the Confederate government elaborated financial transactions with foreign ✓ business houses which looked toward the export of cotton through the Federal blockading fleet. The cotton was consigned especially to Fraser, Trenholm, and Company of Liverpool, the branch house of John Fraser and Company of Charleston, and the foreign purchasing agents of the Confederate States drew against it in buying supplies and ships. As soon as the belligerent rights of the South were recognized by Great Britain in the spring of 1861, these agents were despatched. Among them J. D. Bullock was particularly active in attempting to buy or build men-of-war. Caleb Huse and C. J. McRae were also active in financing the pur-

¹ *Petersburg Express*, Jan. 7, 1863; *Richmond Enquirer*, Jan. 20, 1863 (corresp.); *Richmond Examiner*, Apl. 6, 1863.

² *Off'l Rec'ds Rebellion*, 4th S., II, 987-8 (Ass't Sec'y War to Sec'y War, Oct., 1863); 1st S., XXVI, pt. 2, pp. 573-5; *Richmond Examiner*, Jan. 2, Dec. 9, 1864 (Gov. Va. mess.); *Augusta Daily Constitutionalist*, Feb. 9, 1864 (corresp.).

³ Sumner, *Financier Am. Revolt'n*, I, 83.

⁴ *Ibid.*, I, 161-7, 252-4.

chase of foreign supplies. Others were stationed in Bermuda and in the West Indies to superintend the transshipment of cargoes.

Presumably a large part of the proceeds of the first, the 15-million loan, were sent abroad to these agents. Thereafter, when the specie supply of the government was exhausted, an attempt was made to keep them supplied with funds by shipping cotton, and especially by hypothecating the cotton owned and held by the government, and floating Confederate securities, particularly cotton certificates, abroad. During 1861 and 1862 Major Huse alone bought and shipped supplies to the value of \$4,000,000, half of them consisting of small arms, and still had on hand over \$1,000,000 worth.¹

There is evidence of wastefulness in securing the supplies, the contractors asking and obtaining extortionate prices for their goods, and even persuading one of the government's agents to share in the profits by accepting a commission.² Similar wastefulness had characterized the securing of foreign supplies during the Revolution.³

Within a few days of the establishment of the Treasury Department it had received the suggestion of a foreign loan,⁴ and two months later a correspondent offered his services as European treasury agent to float a loan of 10 to 20 millions.⁵ The government, however, did not enter into the matter, until its accumulation of cotton under the operation of the produce loan suggested the possibility of establishing a large credit abroad by consigning cotton shipments to foreign bankers and drawing against them. Negotiations were opened with the New Orleans agents of foreign bankers, but they

¹ *Case U. S., Arbitration Geneva Conference*, 90-1; *Off'l Rec'ds Rebellion*, 4th S., I, 220, 343; II, 383-4, 645, 647, 658; *Confed. Archives*: Memminger to Sec'y Navy, Jan. 5, 1863; to A. H. Stephens, Sept. 3, 1862; *Rep't Sec'y Treas'y*, Jan. 10, 1863; Jones, *Diary*, II, 47; *Bankers' Ma* (London), XXIII, 394 (May, 1863); *Richmond Examiner*, Jan. 29, Feb. 27, Mch. 10, 1863; Rhodes, *Hist'y U. S.*, IV, 377 & ss.

² *Off'l Rec'ds Rebellion*, 4th S., II, 557, 891, 982-5.

³ Sumner, *Financier Am. Revol'n*, I, 183; II, 89, 94.

⁴ *Confed. Archives*: C. G. Baylor to Memminger, Feb. 26, 1861.

⁵ *Ibid.*: W. W. Wright to Pres. Davis, Apl. 22, 1861.

came to nothing, presumably owing to the capture of that city.¹ Other offers to negotiate a foreign loan on the hypothecation of cotton were made in 1862 by leading foreign bankers and their Southern representatives.²

In the fall of 1862 the *London Times*³ stated that the Confederate government contemplated collecting a million bales of cotton and selling them in Europe, but very naturally questioned the government's ability to get such an amount of cotton out of the country. Still there were, it said, many speculators in England and on the Continent, who were ready to enter into a transaction by which a part of the cotton would be hypothecated. In fact, the rise of cotton in the English market from 7 pence during the first months of 1861 to 12 and 13 pence a pound during the spring of 1862, and to nearly twice that figure by the end of the year, aroused the European speculators to the possibilities of the situation. J. G. Gibbes had been sent to Europe in December, 1862, to assist James Spence in disposing of 15 millions in cotton loan bonds. After some weeks of negotiation among the bankers, the French banking house of Erlanger et Compagnie was found most willing to undertake to float a Confederate foreign loan, and even urged at the outset an extension of the loan beyond the proposed limit of £3,000,000. The Confederate agents, however, declined to assume the responsibility without authority from Richmond. Thereupon M. Émile Erlanger, a member of the French firm, crossed the Atlantic in the hope of persuading the Secretary of the Treasury to float a larger loan. In this, however, he failed. Mr. Memminger insisted upon limiting it to \$15,000,000 for the present, to which he had made up his mind after some hesitation. The details of the loan were fully discussed, and a contract was drawn up and signed by the Secretary and Erlanger on January 28, 1863. The latter at once returned

¹ *Off'l Rec'ds Rebellion*, 4th S., I, 846 (Sec'y War, Jan. 17, 1862).

² *Confed. Archives*: G. T. Gerding to Memminger, June 21, 1862; E. C. Cabell to same, Nov. 23, 1862; *Off'l Rec'ds Rebellion*, 4th S., II, 1054-5.

³ *London Times*, Oct. 23, 1862.

to Paris to carry out its provisions. In the mean time the Confederate Congress legalized the contract by the secret act of January 29, 1863.¹

The terms of the contract were as follows: The Secretary of the Treasury agreed to secure the necessary authority for an issue of 75 millions of francs or 3 millions of pounds sterling in 20-year bonds. They were to bear 7 % interest, payable semi-annually on March and September 1 in gold or its equivalent. Half-yearly redemptions of one-fortieth of the face value of the principal (£150,000 annually), commencing on March 1, 1864, were provided for, the government agreeing to remit the amount necessary to meet the charges for interest and redemption to Erlanger and Company two months before they fell due, the bankers agreeing to disburse the amounts, charging a commission of 1 % thereon. Each bond was made exchangeable at its face value for New Orleans middling cotton at the rate of 6 pence a pound, and at any time not later than six months after the ratification of a treaty of peace with the North. Two months' notice of such proposed exchange was to be given to the Confederate agents in London or Paris. If such exchange of the bonds for cotton was desired during the war, the cotton was to be delivered at points within the Confederate States not more than ten miles from a railway or navigable stream, and was to be exported by the bondholders subject to no government charge except the usual export duty of one-eighth of one cent a pound. If the exchange was postponed till the establishment of peace, the cotton was to be delivered to the bondholders in Charleston, Mobile, or New Orleans. In case cotton of a higher grade than New Orleans middling was offered, the ratio of exchange was to be determined by a board of arbitration.

Erlanger and Company guaranteed the subscription to the

¹ Capers, *Memminger*, 357-8 (J. G. Gibbes to H. D. Capers); 359 (Memminger to J. Slidell); *So. Hist. Soc. Papers*, XIV, 454 (1886); *Economist* (London), XXI, 317 (Mch. 21, 1863); *Confed. Archives*: Memminger to Davis, Jan. 9, 1863, enclosing contract with Erlanger & Cie; House J'r'l, secret sess., Jan. 20, 1863; Secret act Jan. 29, 1863.

loan at 77 % of its face value; in fact, they purchased the bonds from the government at that figure. They were allowed a commission of 5 % on the amount of the loan placed, and any difference between 77 and the actual price received, agreeing to open subscriptions in London, Paris, Amsterdam, and Frankfurt. At the opening of the subscription they were to pay to the government 750,000 francs, and the same amount 15 days later; $2\frac{1}{2}$ millions one month; $7\frac{1}{2}$ millions two months; 9 millions three months; $11\frac{1}{2}$ millions four months; $13\frac{1}{2}$ millions five months; and $13\frac{1}{2}$ millions six months after the first payment, — a total of 57,750,000 francs. Any of these payments to the government could be anticipated by discounting the amount due at 7 % *per annum*. Two months after opening the subscription, the bankers were to report the amount of bonds they had placed, and if they had not succeeded in placing the entire loan, the instalments, as stated above, were to be reduced in proportion. In any case, however, $1\frac{1}{2}$ millions of francs, the amount of the first two instalments, were to be held at the disposal of the government.

The existence of the contract was not generally known for nearly three months. On January 20, 1863, it was taken up in the Confederate House of Representatives, and on January 29 the secret act was passed legalizing the contract. A month later, a formal protest to this act was presented in the House by eleven Representatives, but went unheeded.¹ In March the plan for the loan was announced in London, and at the same time became known in Richmond. The bonds were at once put upon the market on March 19, 1863, by Erlanger and Company in Paris and Frankfurt, by J. H. Schroeder and Company in London and Amsterdam, and by Fraser, Trenholm, and Company in Liverpool. They were offered to the public for subscription at 90. Of the subscription (face value), which closed on March 21, 5 % was payable on application, 10 % on allotment, 10 % on the first days of May, June, and July, and 15 % on the first days

¹ *Confed. Archives* : House J'r'l, secret sess., Feb., 1863.

of August, September, and October, — an arrangement which seemed to insure the bankers against any possible loss from making advances to the government more rapidly than the recurring payments by subscribers to them warranted. The existence of the loan contract had been kept so secret that not until the advertisements of it appeared in the foreign papers did the public in the Confederate States and in other countries know the details of the loan. The London stock exchange avoided giving it official recognition, and in France difficulties were put in the way of publicly advertising it. M. Drouyn de Lhuys expressed wishes for the success of the loan, but advised Mr. Slidell to rely upon circulars, and refused his consent to advertising it till overruled by the Emperor. It is clear that from the outset the loan was looked upon as a wild cotton speculation, notwithstanding the favorable attitude of the *London Times* and the *Economist*. The latter rated these cotton bonds higher than the Federal securities on the English market.¹

Cotton was then selling in England for 21 and 22 pence a pound. It was thought this price could in no case possibly sink to 7 pence for several years to come, thus assuring a wide margin for profits to the bondholders. The Confederate government was known to hold in its possession over 350,000 bales of cotton, of which 333,000 bales at about £9 a bale — or 6 pence a pound — would suffice to cancel the entire loan. Such considerations led to the favorable reception of the bonds. In two days the loan was reported to have been over-subscribed three times in London alone; and the total subscriptions were said to have amounted to 15 millions of pounds sterling, five times the face value of the loan.² The bonds were at once driven up to 95½, the highest point they ever reached. A reaction set in, and transactions in the bonds

¹ *Richmond Examiner*, Mch. 20, Apl. 10, 27, 1863; Jones, *Diary*, I, 289 (Apl. 9, 1863); Bigelow, *France & Confed. Navy*, 151; *London Times*, Mch. 18-20, 1863; *Economist* (London), XXI, 309, 314 (Mch. 21, 1863).

² *Confed. Archives*: Secr'y Treas'y to Secr'y Navy, Aug. 5, 1863; *Off'l Rec'ds Rebellion*, 4th S., II, 449; *London Times*, Mch. 21, 23, Aug. 6, 1863; *Richmond Dispatch*, Apl. 27, 1863; *Richmond Examiner*, Apl. 8, 10-11, 1863.

became of a very speculative character, in which Erlanger and Company played a prominent part, as we shall see. There never was any doubt of the good faith of the Confederate government, or that it held enough cotton to meet the demands of the loan. How to get the cotton out of the Confederate States to the foreign markets was quite another matter. It was evident at the outset that during the continuance of the war any attempt to do so would be futile. Small amounts of cotton evaded the blockade or reached Europe by way of Mexico, but the Federal fleet prevented any general exportation.¹ What might happen when peace was established, or whether the Confederate government would then be in a position to redeem its pledge, was not seriously considered.

During the month of March, 1863, the bonds were selling at from 90½ to 95, and then suddenly fell. The full amount of the loan had been subscribed at 90; 15 % of the subscription (face value) had been paid in before May 1; the subscribers became frightened at the sudden drop in the price of the bonds, and many thought of forfeiting the amount already paid in and abandoning the loan. The Federal agents were said to be bearing the market, and it looked as if the loan was doomed to failure. At this juncture J. M. Mason, who was engineering the enterprise, allowed himself to be persuaded to adopt the following measure with a view to raising the price of the bonds. He signed an agreement with Erlanger and Company on April 7, 1863, by the terms of which the latter were authorized to sustain the market by buying back the bonds with the government's funds and for the government's account, at 90 or below, to the extent of the face value of one million pounds, Erlanger and Company to sell them again, if possible at 90 or above, but not below that figure except with Mr. Mason's consent. The real party in the market was not to be disclosed, and any profits from the transaction were to go to the government. The agreement was at once carried out: Erlanger and Company entered the market as buyers of the Con-

¹ See pages 238-9.

federate bonds, beginning their purchases on April 7 at 87. The purchases continued till April 24, by which time the French bankers had bought bonds to the face value of £1,388,500, the purchase of a further half million having been authorized on that day. In the mean time the price of the bonds had been driven up to a fraction above 91; Erlanger and Company had been able to dispose of a small batch of £26,000 of bonds for the government at prices between $89\frac{1}{2}$ and $91\frac{3}{8}$.¹

It appears that the transaction was closed here. About \$6,000,000 of Confederate gold had been squandered in bulling the London market with no lasting effect on the standing of the bonds. They were quoted at above 90 till the first week of May, and then declined slowly to 88 by the end of the month, fluctuating about that figure till the news of the Federal victories at Vicksburg and Gettysburg broke the spell in July, 1863, and started the bonds on a rapid downward course. The part which Erlanger and Company played in the above attempt to manipulate the stock market cannot be satisfactorily explained. On the face of it, however, it appears a strange financial transaction; the bankers who were directly, or indirectly through their clients, interested in sustaining the bonds, being authorized to open a way for unlucky bondholders to rid themselves on favorable terms of securities which were proving of doubtful value. They are certainly open to the grave suspicion of having themselves been large holders of the bonds in question, especially in view of the presumably large amount of lapsed subscriptions, and of having quietly unloaded them on the unsuspecting Confederate agents when the market showed signs of collapsing. In any case the profits of Erlanger and Company in placing the loan must have been enormous, for they retained beside their commission of 5 % of the amount of bonds floated, and 1 % of the payments for interest and redemption, the difference between 77 and the actual price the bonds brought. The *Richmond Sentinel*² a year later stated on good author-

¹ Bigelow, *France & Confed. Navy*, 175 & ss.

² *Richmond Sentinel*, May 7, 1864.

ity that the bankers' profits amounted to $13\frac{1}{2}$ millions of francs, which must have been about the true estimate.

The results of the campaigns in Pennsylvania and on the Mississippi during the summer of 1863 had a demoralizing effect on the Confederate finances. The 8 % bonds of the 15-million loan sold in April, 1863, for \$130 in treasury notes, or \$32 in specie; by the end of the year these bonds were selling for \$182 in notes, or \$9 in specie. The bonds of other domestic loans fared much worse. The Erlanger bonds declined with the others, but much less rapidly. The disasters of July, 1863, drove them down to 65; they rallied, however, and fluctuated greatly. They fell with frequent rumors of the fall of Charleston; they rose, correspondingly, with recurring rumors of repulses of the Federal blockading squadron. The news of the battle of Chattanooga reached London in December, 1863, and temporarily depressed the bonds to 37, the lowest point they reached till the closing months of the war.

During the year 1864 the Erlanger bonds held their own and even rose in value. This remarkable rally did not depend upon the price of cotton abroad, which was 28 pence in January, reached its highest point, $31\frac{1}{2}$ pence, in August, and fell off to 26 pence before the end of the year. Repeated reports of Federal defeats and Confederate victories, a rise of the gold premium in New York, or a fall in the value of Federal bonds, or a rumor that the Confederate authorities had succeeded in shipping some cargoes of cotton to Bermuda or the West Indies, drove up the price of the bonds. Now and then reports and stories of the opposite kind depressed the price, as occurred particularly in September, 1864, when the bonds fell within a fortnight from 84 — which point they had reached on the news of General McClellan's Presidential candidacy — to 57. The opinion was often expressed that the South could not be subdued; even McClellan's defeat and Lincoln's re-election had no marked effect on the quotation of the bonds. As late as September, 1864, the *London Times* considered the holders of the Erlanger bonds better

off than those of Federal securities. The *London Bankers' Magazine*¹ thought the position of the Confederate States more hopeful at the end of 1864 than at the beginning of the war. This sanguine hopefulness of the English investors — among whom were many newspaper editors² — lasted well into the year 1865. The peace conference at Fortress Monroe carried the bonds to 59, but the news of Federal successes that reached London a few weeks later led to a great decline, which was hastened by the closing victories of the Northern armies.

The hopeful spirit in regard to the cotton bonds, which lasted till the fall of Charleston, was largely due to the Englishmen's mistaken notion of the security offered by the cotton held by the Confederate government. Their minds were fixed in the impression that, whatever became of the government, the chances were good of getting the cotton out of the country so as to redeem the bonds. The latter were quoted in the London market till November, 1865, notwithstanding the fact that Secretary Seward had directed Mr. Adams eight months before, and again in August, 1865, to authoritatively undeceive the English public as to the likelihood of any part of the cotton bonds being assumed by the Federal government.³ The quotations of the bonds in the London market after the downfall of the Confederate States were, of course, merely nominal, but the public only slowly realized the meaning of that overthrow. Till the last the London bankers expected the assumption of the debt by the United States or by some individual Southern State government.⁴ Of course, neither of these steps was ever considered.

The unlucky bondholders met in London in the fall of 1865, and appointed a committee to look into their rights and take the necessary steps to enforce them. The question

¹ *Bankers' Mag.* (London), XXIV, 1092-3 (Dec. 1864).

² *N. Y. Times*, Sept. 14, 1865 (1-1); Dec. 9, 1865 (1-4).

³ *N. Y. Times*, Sept. 19, 1865 (1-2); *N. Y. Herald*, Sept. 19, 1865.

⁴ *Economist* (London), XXIII, 1307, Oct. 28, 1865; *N. Y. Herald*, Sept. 4, 6, 18, 19, 1865; *N. Y. Times*, Aug. 5, 1865 (4-4).

of the liability of the individual Southern States was considered, and some urged approaching the United States government with their claims. A report that the bankers who had placed the loan in 1863 still held some funds to the credit of the Confederate government roused the bondholders' hopes of recovering something, but these were soon dispelled by a statement of Erlanger and Company.¹ Sixteen years later similar unfounded rumors that foreign banks, among them the Bank of England, held large sums to the credit of the Confederate government aroused a temporary interest in the Erlanger bonds, and there was an active demand for them on the London market, which continued some time, notwithstanding the statement by Judah P. Benjamin — then living in England, and formerly member of the Confederate Cabinet — that the Confederate government had exhausted their funds abroad before the end of the war.²

There continued to be some agitation on the part of the bondholders in favor of attempting to secure the assumption of the cotton bonds by the individual Southern States, but it was not taken very seriously, though there was a slight revival of dealing in the bonds in London during 1881-3.³ As late as ten years after the close of the war the assumption of the debt by the United States government was suggested, and its possibility was mentioned during the Presidential campaign of 1876, even after the election of that year, when it was vaguely assumed by some of the holders of the Erlanger bonds that Tilden's election would mean the redemption of all or a part of the bonds out of the United States treasury. It will be remembered that the "Southern Claims" and the alleged intention of the Democrats to pay them when in power, were also prominently referred to in the political excitement of 1876.⁴

¹ *N. Y. Times*, Sept. 18, 1865 (1-1); Sept. 19, 1865 (1-1), Nov. 6, 1865; *N. Y. Herald*, Sept. 4, 18, 1865.

² *London Times*, Nov. 3, 1881 (5-1); *N. Y. Times*, Nov. 6, 1881 (8-3); Jan. 20, 1882 (2-2); Sept. 22, 1882 (3-2), quoting *Augusta Chron.*, Sept. 19, 1882.

³ *London Times*, Nov. 3, 1881 (5-1); July 7, 1883 (13-1, 14-3); *N. Y. Times*, Oct. 21, 1882 & July 7, 1883 (quoting *London Daily News*); Aug. 1, 1883 (edit.).

⁴ *Economist* (London), XXXIV, 126-7 (Oct. 21, 1876); *N. Y. Times*, Nov. 8,

In 1884 again there appear traces of a revival of the hopes of the foreign bondholders, possibly to be brought into connection with the numerous similar efforts then being made by the creditors of bankrupt nations like Turkey to obtain a settlement, and also into connection with the negotiations then going on between Virginia and the foreign holders of its discredited State bonds.¹ In the following year we hear of activity in buying and selling Confederate bonds. The revival of this trade, which in the last instance was concerned with domestic as well as foreign Confederate bonds, is of very little importance. The frequent references to speculative activity in these securities upon American markets evidently misinterpret its meaning, or exaggerate its dimensions. The similar occasional activity in the market for Confederate postage stamps does not lend itself to a similar picturesque and effective interpretation.²

To return to the standing of the Erlanger bonds during the war: one factor which contributed to their strength in the foreign market were the tolerably regular disbursements for interest and for the semi-annual redemptions of one-fortieth of the principal. These payments were made partly from the proceeds of the sale of the little cotton which the government succeeded in exporting, and largely from the proceeds of the loan itself. The last part-payment of the principal was made on March 1, 1865, under a secret act of February 3,³ appropriating £75,000 toward the redemption of one-fortieth of the face value of the loan. The *Economist*⁴ figured out that £2,418,800 of the bonds were still outstanding in the fall of 1865, constituting a loss of about 10½ millions of dollars to the holders, and the enemies

1876 (4-7); Nov. 15, 1876 (1-5), quoting *Hartford Courant*; Nov. 30, 1876 (4-2), quoting *Dundee, Scotland, Advertiser*, Nov. 11, 1876; cf. *N. Y. Tribune*, Oct. 10, 1871, quoting *London Standard*, Sept. 26, 1871.

¹ *N. Y. Times*, Feb. 23, 1884 (3-7); *London Times*, 1883-4 (*passim*).

² *N. Y. Times*, June 18, 1885; Dec. 9, 1869 (3-1); Sept. 1, 1882 (2-5); Sept. 22 (3-2); Oct. 29 (4-6); Nov. 10, 11, 1882 (1-2); Jan. 17, 1883 (2-7); Aug. 1, 1883 (edit.).

³ Text in *Confed. Archives*.

⁴ *Economist* (London), Mch. 18, Oct. 28, 1865.

of England would gladly have seen the figure much larger. A leading Northern newspaper said maliciously at the close of the war: "It is now greatly to be regretted that the rebel loan put on the market in England . . . was not greater."¹ The above estimate was obtained by basing the calculation on the assumption that the entire loan was placed at 90, that £204,600 were redeemed, and that £376,600 were exchanged for cotton certificates, the latter being presumably not redeemed and therefore constituting a further loss of \$1,830,000 to the English investors.

These figures need some correction, owing to the fuller information available to us. In the first place the entire three millions of pounds of the loan cannot fairly be said to have been placed. Of this amount, £1,388,500 were bought back in the attempt which we have outlined, to bull the market, and only a part of these bonds were again successfully sold. In June, 1863, £1,150,000 were still undisposed of.² By the fall of 1863 the bankers had floated some more, but £704,000 still remained on their hands.³ They then entered into a supplementary contract with the government on September 24, 1863, ratified by the Congress on February 17, 1864, which provided for placing £650,000 of the bonds under similar conditions to those contained in the original contract. The bankers underwrote this amount at 77 % of its face value, — considerably above the bonds' current value, — and agreed to pay the government the necessary 12,500,000 francs in instalments covering twelve months from the time of the subscription. With the rapid decline in the value of the bonds, to far below 77, Erlanger and Company found it unprofitable to float the bonds, and preferred to pay the penalty provided for in the contract. The penalty was reduced from the £140,000 the contract called for to £100,000 as a compromise, and a new contract was

¹ *N. Y. Times*, Apl. 28, 1865 (4-5).

² *Confed. Archives*: McRae to Memminger, June 19, 1863.

³ *Confed. Archives*: Memminger to McRae, Sept. 15, 1863; McRae to Memminger, Oct. 2, 1863.

entered into with the bankers on February 22, 1864, the details of which are unknown to us. The contract of September 24, 1863, was annulled by the Congress in secret session on January 4, 1865,¹ by resolution, which, on the recommendation of the Secretary of the Treasury, authorized him to float a foreign loan of £15,000,000 on terms to be agreed upon by the contracting parties. Of course, nothing more is heard of this new loan. By the spring of 1865 the amount of Erlanger bonds still on hand and not disposed of had been reduced to £509,000. Adding this amount to the sum spent for the semi-annual part payments of the principal, — namely, £255,200, — and deducting the sum from the amount of the original issue (£3,000,000), we derive £2,235,800 as the face value of the bonds outstanding at the end of the war, which, on the basis of the original subscription at 90, constituted a loss of approximately 9¾ millions of dollars to the foreign bondholders.² The amount of Erlanger bonds converted into cotton certificates can be disregarded, as the latter also constituted a loss to the holders.

When we come to estimate the amount of profits from the foreign loan accruing to the Confederate government, we have a more difficult problem. Mr. John Bigelow estimates it as follows:³ He puts the gross amount realized by the Confederate government upon its foreign loan at \$15,000,000, — an evident overstatement; the amount lost in the attempt to manipulate the market in April, 1863, at \$6,000,000; the amount lost in the purchase of ships which were never delivered, at \$5,000,000. The net profits derived from the issue must have been \$4,000,000 according to these figures.

¹ *Confed. Archives*: Memminger to A. H. Stephens, Dec. 15, 1863 (with contract, Sept. 24, 1863); Secret acts Feb. 17, 1864, Jan. 4, 1865; Memminger to McRae, Sept. 15, 1863, Feb. 16, May 24, 1864; Slidell & McRae to P. W. Gray & E. K. Smith, Oct. 26, 1864; House J'r'l, secret sess., Jan. 9, 22, 1864; Memminger to Davis, Dec. 15, 1864.

² *Confed. Archives*: Memminger to Davis, Dec. 28, 1863; to Senate, Nov. 7, 1864; to Fraser, Trenholm & Co., Nov. 25, 1864; to McRae, Aug. 20, 1863, Aug. 12, 1864, Jan. 23, 25, 1865; to House of Rep's, Feb. 11, 1865; Secret acts June 10, 1864, Feb. 3, 1865; *Charleston Courier*, Aug. 17, 1864 (McRae to editor *Index*, July 6, 1864).

³ Bigelow, *France & Confed. Navy*, 188.

An examination of the correspondence of the Treasury Department and of all the available material leads to the following conclusion. The face value of the issue was £3,000,000. Of this amount £2,491,000 were placed. The gross receipts from the loan were, say, £1,900,000. Deductions should be made as follows: The bankers received 5 % commission on the amount of bonds placed, and 1 % of the interest disbursed; the expenses of the agency amounted to a small sum; the redemptions of the principal as well as the interest payments were practically met out of the proceeds of the loan, and should be deducted; and a small sum for interest on deposits and the £100,000 received from Erlanger and Company for their failure to carry out the supplementary contract should be added. On the basis of this calculation £1,283,930, or say 6¼ millions of dollars, are left as the net profits of the loan.

Face value of the loan	£3,000,000
Amount of loan placed (face value)	2,491,000
£2,296,000 at 77 %	£1,767,920
70,000 at 66 %	46,200
125,000 at 60 %	75,000
Gross receipts of loan	£1,889,120
Add	
Interest on deposits (say)	£10,000
Penalty under contract	100,000
	£1,999,120
Deduct	
Bankers' 5 % commission	£124,550
Expenses of agency	7,190
Bonds redeemed	255,200
Interest on bonds,	325,000
Bankers' 1 % interest	3,250
	£715,190
Net receipts of loan	£1,283,930

The proceeds of the loan were turned over to Fraser, Trenholm, and Company of Liverpool, and were drawn against by the various Confederate agents making purchases abroad. The government depositories were also supplied with specie

from Richmond, and with various kinds of bonds on which to obtain advances by hypothecating the same with foreign bankers.¹

The financial success of the foreign loan was not great, when we remember that to gain the 6½ millions of dollars finally received the government had to go heavily into debt at home, and helped to wreck the currency in order to secure the necessary cotton on which to base the loan. As early as June, 1863, the Confederate agents in Europe declared² that the loan was more successful as a political demonstration than as a source of revenue. As a financial measure it benefited largely the shipbuilders and bankers, but it was still "a moral recognition of the Confederacy by the commercial world," and that, though of little practical value, must have given great satisfaction to the Confederate authorities, who were so signally unsuccessful in gaining a more substantial recognition from the European governments.

The "Alabama" and other Southern privateers were most of them secured abroad during the first two years of the war, and were presumably paid for out of the proceeds of the 15-million loan transmitted to the European agents of the Confederacy.³

As we have seen, the 15 millions obtained, largely from the banks, by floating this loan, constituted the main source of specie revenue of the Confederate government. To this should be added the United States funds seized in the spring of 1861 and the specie seized from the New Orleans banks, also the above 6½ millions of specie secured by the Erlanger loan and spent abroad. The total amount of specie thus secured could not have exceeded 27 millions of dollars. This sum constituted the entire specie revenue of the Confederate government during its four years' existence.

The government was driven to rely for a revenue more

¹ *Confed. Archives*: Memminger to Fraser, Trenholm, & Co., Aug. 2, 16, 1864; *Off'l Rec'ds Rebellion*, 4th S., II, 481, 645, 824-6, 845, 887-9, 909.

² *Confed. Archives*: Fraser, Trenholm, & Co. to Memminger, June 2, 1863.

³ *U. S. Case, Arbitration, Geneva Conference (passim)*; Beaman, *Ala. Claims*; Russell, *Diary*, 170.

Summary

and more upon issues of treasury notes. Its expenses increased prodigiously. By November, 1861, they amounted to 70 millions; by March, 1862, to 160 millions; by August, 1862, to 329 millions, and by the end of 1862 to 582 millions. ✓
 The funded and unfunded debt of the Confederate States increased correspondingly from 10 millions in July, 1861, to 59.1 millions in November, 1861, to 139.2 millions in February, 1862, to 313.2 millions in August, and to 567.5 millions in December, 1862. Notwithstanding the efforts to borrow by issuing bonds instead of notes, as shown in the funding features and in the produce loan, the government was irresistibly driven to rely more and more upon forced loans as represented by the issue of notes instead of the voluntary loans as represented by bond issues. Of the total Confederate debt on July 19, 1861, 10 % represented outstanding notes; on November 16, 1861, the fraction had already risen to over 63 %, and in February, 1862, to 77 %; and in December, 1862, it stood at 82 %. These figures tell their story. The government found it difficult, if not impossible, to find lenders willing to advance capital in any shape in exchange for interest-bearing bonds. After the first patriotic loan, which brought the government a large part of the available specie in the South, had been exhausted, the produce loan aimed to secure the advance of capital in a shape to suit the convenience of the lenders, and in a way that took advantage of their awkward position owing to the blockade, but failed to obtain a sufficient amount of such farm produce as the government was most in need of, namely, food products. The issue of treasury notes was too tempting a means of overcoming the difficulties of the situation. Lenders were more ready to accept them than bonds, as they could be put into circulation. As prices rose, — those of food products in 1862 to four and six times their normal level, — appropriations correspondingly grew, and more notes were issued to meet the increased expenses.

See Appendix
 Table.

CHAPTER III

THE FINANCIAL LEGISLATION OF 1863-1864

THE FUNDING ACT OF MARCH, 1863 — THE STATE GUARANTEE OF CONFEDERATE BONDS — VOLUNTARY AND COMPULSORY FUNDING OF NOTES IN BONDS — THE TAXATION OF NOTES — THE FUNDING ACT OF FEBRUARY, 1864 — SECRETARY TRENHOLM SUCCEEDS SECRETARY MEMMINGER.

THE recommendations of the Secretary of the Treasury contained in his report to the Congress on January 10, 1863, centred about available means for the encouragement of the funding of notes into bonds and thereby reducing the redundancy of the currency. The Secretary still insisted upon classing the interest-bearing notes and call certificates — of which over 175 millions were outstanding — with bonds and as distinct from paper currency, the amount of which he put at 310 millions, 290 millions of non-interest-bearing notes and 20 millions of State treasury notes and banknotes. In reality, the interest-bearing notes and call certificates should have been added, and a much larger allowance made for State and local currency of various kinds.¹ The total currency at the end of 1862 must have exceeded 500 millions of dollars. The gold premium at the time was 200 %, or a dollar in specie sold for \$3 in treasury notes. The Secretary recommended a reduction of the currency to 150 millions, which figure he thought represented the proper amount in view of the business stagnation due to the war. This, to his mind, called for larger amounts of currency than 100 millions to be kept on hand by individuals and to take the place of the bills and drafts used under normal conditions and now discarded. The Secretary's analysis of the situation now seems thoroughly mistaken.

¹ See pages 149 & ss.

The reduction of the currency was to be accomplished by stimulating the funding of notes into bonds, which evidently had not been done by the noteholders to the desired extent. During the last five months of 1862 only 17½ millions had been thus converted. The government's hopes that the redundancy of the currency would be corrected by their absorption in bonds proved as groundless as similar hopes in the North.¹ In the fall of 1862 an attempt had been made to hasten this movement of absorption. The act of October 13, 1862, provided that all notes issued after December 1, 1862, should be fundable no longer in 8 %, but only in 7 % bonds. As to issues outstanding at the time, the Secretary was authorized to require noteholders to fund their notes in 8 % bonds within six months of notice given. All notes not so funded should thereafter be fundable only in 7 % bonds. This act "to reduce the rate of interest on the funded debt" distinctly violated the terms of the contract the government had entered into with the noteholders. Thereby a foundation was laid for a series of repudiation measures which eventually wrecked the Confederate finances. This first funding act of October, 1862, while still a bill under discussion in the Congress, was given a more severe character, but was amended in the Senate before its final passage.²

The Secretary at once circulated notices to the public embodying the provisions of the act, and fixed upon April 22, 1863, as the date after which outstanding notes could no longer be funded in 8 %, but only in 7 % bonds.³

It is interesting to note that the Confederate policy was soon followed by State legislation along similar lines, as we shall find was often the case. By an act of February 6, 1863, the North Carolina legislature provided that the State treasury notes heretofore fundable in 8 % should thereafter

¹ *Rep't Sec'y Treas'y*, Mch. 14, 1862; Appleton, *Ann. Cycloped. for 1861*, 146 (Memminger to Comm'rs Produce Loan); McPherson, *Rebellion*, 358-9 (Sec'y Chase to T. Stevens).

² *Confed. Archives*: House J'r'l, Oct. 9, 11, 1862.

³ *Charleston Courier*, Oct. 31, Nov. 18, 1862.

be fundable only in 6 % bonds, and should be stamped to that effect.

To return to the Secretary's recommendations in January, 1863: He dilated upon the evils of a depreciated currency and the necessity of meeting the continual rise of prices with the issue of more notes. He proposed to meet the difficulty by extending the principle adopted in the legislation of the previous fall, and compel noteholders to exchange their notes for bonds, thereby reducing the amount in circulation to the desired 150 millions. The means he proposed were the simple declaration that notes dated previous to December 1, 1862, should cease to be currency after July 1, 1863, when they should no longer be fundable. He tried to justify the proposed measure by claiming that on the basis of the existing law "six months have already been allowed for investment in 8 % securities, according to the contract on the face of the note. Two months more will be allowed for investment in 7 % bonds, and if, after so long a notice, the holders do not choose to avail themselves of their privilege, the good faith of the government will stand clear of imputation." So far the government had merely offered inducements to funding, but these had been lessened in value by the depreciation of the notes in which the interest upon the bonds was paid. "It is proposed now to supply the deficiency by a small portion of constraint." The grave objections to such compulsory funding were counterbalanced, the Secretary thought, by the advantages accruing to the currency system. Moreover, he held that "the modification of the contract is substantially for the benefit of both parties (the government and the noteholder). The object in view is to increase the value of the whole remaining currency." This was a favorite notion, — that the noteholder could not fairly complain of unjust treatment, in that the notes he retained would have the same purchasing power after funding the other two-thirds of his notes; and, besides, he would gain by having an additional block of bonds into which these two-thirds had been funded. There was something naïve in

the notion that the noteholder should be compelled to enter into a transaction, avowedly profitable to himself, which called upon him to throw away a large part of his notes in the belief that the remainder would thereby be increased in value.

The notion that compulsory funding was an infringement of a contract between the government and the noteholder the Secretary met by saying that the Congress had already answered this objection by passing the above Funding Act of October 13, 1862. Then he justified the adoption of a similar measure by claiming that "a limitation of time for the performance of contracts has never been considered an infringement where sufficient opportunity is given to claim performance. Justice is satisfied by giving to the party full opportunity to receive the benefit of his contract. Examples of the same principle are afforded in private matters by the laws of partnership and for the administration of assets. In public matters the history of every nation affords like precedents, which will probably find support in the laws of every State in our Confederacy. . . . The time for the enjoyment of these advantages [of funding notes in bonds] was no part of the contract, and every holder [of notes] was bound to know that such an incident has always been considered within the control of the law-making power."

Another objection the Secretary as summarily dismissed, namely, the fear that the Confederate bonds would decline in value on the adoption of a policy of compulsory funding. He admitted that they would depreciate, but claimed that any loss on this score would be compensated for by a rise in the value of the notes. If one or the other, bonds or notes, must depreciate, he preferred that the former should do so. However, he claimed "whatever may be the amount of depreciation on the bonds, it cannot exceed the depreciation in the value of the currency." If he had gone a step further, he would have foreseen that such a policy as he proposed would inevitably and primarily depress the value of the notes. Moreover, he assumed that compulsory funding was

practicable and would in a short time, with the assistance of a general tax, remove from circulation all outstanding notes and make room for a new issue of 200 millions before the middle of 1863. It required a more extended experience with compulsory funding to show the difficulty of compelling the noteholders to do what they instinctively knew was to their disadvantage, namely, to exchange their notes, which they could pass on before they depreciated further, for bonds which they would have to hold while they shrank in value. However we may rank Secretary Memminger's powers as an advocate, as a financier he certainly did not distinguish himself. }

He used the identical arguments that were put forth in the French Assembly in the nineties of the eighteenth century in favor of similar projects of compulsory funding. The holders of *assignats*, it was claimed, would not be injured by exchanging some of them for national bonds. The notes remaining in their hands would be correspondingly increased in value. Such compulsory funding could not be deemed a breach of contract. Various means of persuading the unwilling holders of *assignats* to fund them were proposed and adopted, but they proved of little effect, as one deputy had anticipated. He had foretold that the notes would not be funded in "bons," simply because the noteholder did not want the latter.¹

Another financial device recommended by the Secretary in his report of January, 1863, at the end of the third session of the First Permanent Congress, was the guarantee of the Confederate bonds by the State governments. The experience with the Confederate war tax,² which proved a failure owing to its dependence upon State legislation to make it effective, did not deter him from proposing that each State should guarantee the payment of the interest and principal

¹ *Le Moniteur*, XXIV, 440, 444 (10-11 mai, 1795); 474-6 (16 mai, 1795); XVI, 410-11 (19 mai, 1793); XVII, 278 (31 juillet, 1793); White, *Fiat Money in France*, 59, 68-9.

² See pages 285 & ss.

cf. *Le Moniteur* ?
in French Assign-
ats in J. of
H. L. Turner, 1861
(1860)

of its quota of the Confederate bonds. This, he held, would improve their standing, and would enable him to convert the 8 % into 6 % bonds,—at the time about 90 millions in amount,—issue new bonds at the lower interest rate, and apply the saving in interest to the reduction of the principal.

This plan did not originate with the Confederate authorities. A resolution had been introduced in the Virginia legislature in May, 1862, and presumably was passed, favoring the State's guaranteeing the Confederate bonds. A similar resolution was offered in January, 1863, but was opposed by a committee, which feared that the Confederate as well as the State's credit would suffer by adopting the course recommended.¹ The Alabama legislature had also passed a joint resolution on December 1, 1862, proposing that the States jointly strengthen the credit of the central Government by guaranteeing the payment of the Confederate debt, each in proportion to its representation in the Congress. South Carolina followed suit, and went a step further by authorizing the Governor to endorse the State's share of 200 millions of Confederate bonds, which was two months later fixed at about 34½ millions.² About the same time the Florida legislature followed Alabama's example, and proposed to guarantee the State's share of the Confederate debt, provided the other States did the same.³ The legislature of Mississippi also acted upon Secretary Memminger's suggestion, and authorized the Governor on January 3, 1863, to endorse Confederate bonds to an amount equal to Mississippi's share of 200 millions. The Texas legislature did not go so far, but provided by joint resolution of February 27, 1863, that if the State for any reason were compelled to withdraw from the Confederacy, she bound herself to pay her share of the Confederate debt. In Georgia and North Carolina, where, as we shall repeatedly see, the particular-

¹ *Rep't Sec'y Treas'y*, Jan. 10, 1863; *Charleston Courier*, Dec. 8, 1862, Jan. 21, 1863; *Richmond Dispatch*, Jan. 9, 1863.

² S. C. acts Dec. 18, 1862; Jan. 28, Feb. 6, 1863.

³ Fla. resol'n Dec. 15, 1862.

istic States rights notions strongly prevailed, the attempt to involve the State in a guarantee of the Confederate debt failed. In Georgia Governor Brown and the leading newspapers opposed the policy as calculated to confuse Confederate and State finances and to impair the confidence of investors at home and abroad, — the *Richmond Examiner* claimed, from selfish jealousy for Georgia's State credit. There was some talk of the legislature's referring the matter to popular vote in the fall, but it was after much discussion, on April 15, 1863, indefinitely postponed.¹ In North Carolina a similar bill failed of enactment. Opposition to it was akin to that shown in Georgia, and in addition was based on true States rights grounds, — that such action by the States was unnecessary, as the Confederate government was merely their agent, and the States were therefore without further legislation bound to pay their share of the Confederate debt.

The Congress took Secretary Memminger's recommendations into consideration. A bill was introduced in the Senate in February, 1863, providing that each State should issue 20-year 6 % bonds in proportion to its representation in the Congress. These were to be sold only for Confederate treasury notes issued since December 1, 1862; the central government was then to issue to the States the same amount of similar Confederate bonds. The bill did not commend itself to the Finance Committee and was tabled,² but the Funding Act of March 23, 1863, of which more below, contained a provision in line with the Secretary's recommendations. Bonds bearing 6 % interest were to be sold at par for treasury notes, on a guarantee by the States according to a plan to be determined by the Secretary of the Treasury. Nothing came of the matter. The military disasters in the summer of 1863 and the refusal of some States to assume their share of the debt made it impossible to carry out the project,³ which in

¹ *Raleigh Progress*, Mch. 27, Apl. 14, 17, 1863; *Richmond Examiner*, Dec. 5, 1863; *Charleston Courier*, Jan. 15, 1863 (quoting *Augusta Constitutionalist*); *Memphis Appeal* (Atlanta), Nov. 9, 1863.

² *Confed. Archives*: Senate J'r'l, Feb. 6, 9, 1863.

³ *Rep't Sec'y Treas'y*, Dec. 7, 1863.

no way could have benefited the Confederate finances. It would have been a case of "the blind leading the blind," as a study of the finances of the individual States fully shows.¹

The recommendations of the Secretary regarding compulsory funding were embraced in an elaborate act dated March 23, 1863.² Its provisions were as follows: Non-interest-bearing treasury notes were divided into two classes. Those dated prior to December 1, 1862, were made fundable in 8 % bonds till April 22, 1863,³ thereafter till August 1, 1863, in 7 % bonds. After August 1, 1863, they could not be funded, but were still receivable for charges due the government, except for the cotton export duty, and were payable six months after a treaty of peace, as specified on their face. All non-interest-bearing notes dated between December 1, 1862, and April 6, 1863, were fundable in 7 % bonds till August 1, 1863, and thereafter in 4 % bonds, and continued to be receivable by the government and payable as the above first class of notes were. All 8 % call certificates were fundable with accrued interest in 8 % 30-year bonds if presented on or before July 1, 1863. Those outstanding at that time were to be deemed 30-year 6 % bonds. The Funding Act of March 23, 1863, further provided that no more call certificates should be issued, but that notes fundable in 6 % bonds should be exchangeable for 4 % call certificates, and the latter should be convertible into bonds bearing the same interest, payable in thirty and redeemable in five years at the pleasure of the government, as were all the bonds authorized by this act. Furthermore, an attempt was made to reduce the outstanding currency by providing that authority to issue notes in \$5 and higher denominations should cease with the expiration of the first Congress after the ratification of a treaty or at the end of two years. The Secretary was also authorized

¹ See pages 302 & ss.

² The legislative history of the bill is given in *Richmond Examiner*, Jan. 31, Feb. 17, 1863.

³ The later act of April 30, 1863, allowed the 2-year notes under the act of May 16, 1861, of which perhaps ten millions were still outstanding, till August 1, 1863, to be offered for 8 % bonds.

to sell 6 % bonds for notes at par up to 200 millions with a view to reducing the amount of notes in circulation to 175 millions; the notes which were thus obtained by the government were not to be re-issued if the amount in circulation should thereby be increased beyond 175 millions. Moreover, the Secretary was in general authorized to use all disposable means to purchase notes with a view to effecting contraction to that extent. On the other hand, he was empowered to issue monthly up to 50 millions of dollars in non-interest-bearing notes, which were, as usual, to be tax receivable by the government except for the cotton export duty, payable within two years after the establishment of peace and fundable in 6 % bonds if presented within one year, and in 4 % bonds if presented later. A similar issue of 15 millions in small notes of 50 cent, \$1 and \$2 denominations, payable six months after a treaty of peace, but not exchangeable for bonds, was also provided for. The act of April 27, 1863, made similar provisions for fractional currency. It was about this time that the Federal Congress also provided for an issue of small denomination "greenbacks."¹

The provisions of the Funding Act were at once put into operation. At first there was a decided fall in prices, which was ascribed to the prospective contraction of the currency and the passage of the Tax Act of April 24, 1863.² The increased confidence in the currency was, however, soon dissipated, and gave way to a popular distrust in the government's promises. The newspapers deplored the "flagrant breach of public faith" involved in the attempt at compulsory funding, and questioned the wisdom and justice of such a policy, which was deemed a virtual repudiation of the government's obligations and was upheld by the *Richmond Sentinel* alone.³

¹ U. S. act Mch. 3, 1863.

² *Richmond Examiner*, Apl. 20, May 7, 9, 1863; *Charleston Mercury*, Apl. 28, 1863.

³ *Richmond Dispatch*, June 11, 1863; *Raleigh Progress*, June 23, 1863; *Charleston Courier*, Mch. 27, June 16, 18, 1863; *Charleston Mercury*, Mch. 26, June 19, 1863; *Richmond Examiner*, July 7, Nov. 12, 1863; *N. C. Standard*, June 30, 1863.

The attitude of the banks toward the discredited notes dated prior to December 1, 1862, added to the popular distrust. The banks in Richmond agreed in June not to accept or pay out such notes, which action aroused much feeling and urgent demands for legislative interference.¹ The Virginia legislature, however, followed the banks' example, and sought to protect the State treasury by forbidding sheriffs and tax collectors to accept the discredited notes. The North Carolina legislature, on the other hand, refused to take such action, under the advice of Governor Vance, and provided that all Confederate notes should be treated alike and accepted by the State treasury, even after they were no longer fundable in Confederate bonds.²

It is difficult to determine the extent to which noteholders funded their notes in bonds, as the new issues of notes more than displaced those that were exchanged for bonds. Apparently the old notes — those dated before December 1, 1862 — were offered in large amounts for 8 % bonds as long as they could be, namely, till May 22, 1863; and then for 7 % bonds till August 1, 1863, by which time, roughly speaking, 100 millions had been funded together with perhaps 25 millions of notes dated since December 1, 1862. The new issue of notes authorized in March, 1863, to the extent of 50 millions a month prevented this apparent reduction of the currency from becoming real, and swelled the circulation of non-interest-bearing notes from 289 millions at the beginning of the year to 453 millions in August, to over 600 millions in October and to over 700 millions on January 1, 1864. This immense increase in the amount of notes issued and outstanding was made necessary by the extensive military operations of the summer and fall of 1863, which proved so disastrous to the cause of the South. Confederate bonds fell to a very low figure, and the gold premium rose with increasing rapid-

¹ *Petersburg Express*, June 6, 12, 13, 1863; *Richmond Dispatch*, June 9, 11, 1863; *Richmond Examiner*, May 29, June 1, 5, 11, Aug. 1, 1863.

² *Va. acts* Mch. 28, Sept. 14, 1863; *N. C. act* July 3, 1863; *Raleigh Progress*, June 23, July 1, 7, 10, 1863; *N. C. Standard*, June 30, July 3, 7, 1863.

ity. Gold had been quoted at \$3 in currency at the beginning of the war, rose to three times that figure by July and to \$20 for \$1 by the end of 1863. Under these circumstances the voluntary funding of notes in bonds had presumably come to an end by July. Noteholders continued to hold their notes instead of exchanging them for bonds, and thereby destroying their usefulness as a circulating medium and as a means of speculation. The Funding Act instead of correcting the redundancy of the currency threw discredit on the previous issues of notes, which dragged down the subsequent ones to their own level. The new were no better than the old notes; both were of equally doubtful value, and continued to circulate together and carried prices as quoted in them to still more prodigious heights. As usual, this called for larger and larger appropriations and correspondingly increasing issues of notes. Cereals, which at the beginning of 1863 sold at four times their normal price, rose to twelve times that figure before December; meat products rose to a much greater altitude. The army requisitions, which had footed up to 59½ millions in 1861, reached 398 millions in 1862, 512 millions in 1863, and 670 millions in 1864.¹

During the first nine months of 1863 the receipts of the government had been some 601 millions. Of this amount a paltry 5 millions had been secured by taxation, — by export and import duties and by various direct taxes; 153 millions had been obtained by floating bonds; and 442.6 millions, or over 73 % of the total revenue, by issuing notes, 417 millions of them bearing no interest.

The Congress had to face an appalling financial condition when it met in its session during the winter of 1863-4. At the opening of the session on December 7, 1863, the Secretary of the Treasury presented his report. The estimates he offered called for 1500 millions to be provided for by the Congress during the year 1864. The public debt of the Con-

¹ *Off'l Rec'ds Rebellion*, 1st S., XLVI, pt. 2, pp. 1239-40 (Sec'y War to Davis, Feb. 18, 1865).

federate States on September 30, 1863, the Secretary put at 994 millions, of which 293 millions represented bonds, most of them bearing 8% interest. The unfunded debt amounted to 701 millions, of which 617 millions were notes in circulation not bearing interest; 123 millions, interest-bearing notes; and 26 millions, call certificates.

By January 1, 1864, the total public debt of the Confederate States had increased to 1221 millions of dollars. Of this amount 298 millions represented outstanding bonds under the following acts: 15 millions of the 15-million loan of February 28, 1861; 109 millions of the produce loan, and \$3,612,300 of the loan of April 12, 1862, all of which bore 8% interest. The bonds to meet the requirement of the Funding Act of March 23, 1863, were outstanding to the extent of 162 millions, of which 96 millions bore 8%, 64 millions, 7%, and the remainder, 6% interest. No 4% bonds were outstanding, which indicates that no notes were funded in bonds after August 1, 1863, when those dated after December 1, 1862, became fundable in 4% bonds. Of the 6% cotton bonds authorized on April 30, 1863, 8½ millions were outstanding. The similar Erlanger bonds did not figure in this statement of the Secretary of the Treasury. Of the 923 millions of unfunded debt on January 1, 1864, 192 millions represented interest-bearing notes (7.30%) and call certificates; the rest, 731 millions, represented non-interest-bearing notes (10½ millions of them in small denominations), and 336 millions issued under acts previous to the funding act of March, 1863, and 392 millions of new notes issued under that act.

In his report of December 7, 1863, the Secretary of the Treasury pointed out the failure of the tax system. The war tax established in 1861 had been based on the tax machinery of the individual States and had been changed by them into a loan.¹ The more elaborate tax law of April 24, 1863, had been inadequate. The Secretary, however, did not present a practical plan of increasing the revenue from taxation other

¹ See pages 287 & ss.

than to propose a 5 % tax on all property to be levied after the existing taxes had been collected, payment of the tax to be made one-half in treasury notes, and one-half in specie or in the coupons of a new bond issue, the proceeds of the tax to be devoted primarily to meeting the interest charge upon these bonds. This provision was aimed at making it advantageous to hold bonds.

The Secretary confessed that the voluntary exchange of notes for bonds, from which so much had been expected, had proved a failure. He claimed that the plan would have worked well and the redundancy of the notes been prevented by their being funded in bonds, if the interest on those bonds could have been paid in specie. But the supply of specie had been cut off by the blockade, and to provide specie, he might have added, no adequate revenue system had been invented. The funding acts had not reduced the circulation, as had been hoped. He recommended adding further compulsory features which would force noteholders to give up their notes and thereby correct redundancy. About 700 millions in notes were in circulation; 500 millions must be retired in order to reduce those outstanding to 200 millions, a sufficient contraction for the time being, which could be carried further when peace was attained. Taxes could only be relied upon to a slight extent to cancel these 500 millions of notes; the chief reliance must be put upon loans, and necessarily upon forced loans.

In detail his recommendations in this particular were as follows: An issue of 1000 millions 6 % 20-year bonds should be provided with a view to eventually consolidating the entire public debt, and with a view to funding the above excess of 500 millions of notes and meeting current appropriations. Noteholders were to be encouraged to fund their notes by exempting the new bonds from the above 5 % tax, in whole or in part, according to the promptness with which their notes were offered for the bonds. Furthermore, noteholders were to be compelled to fund their notes of denominations above \$5, — to which alone the plan applied, but

which included almost all the notes outstanding, — by notice that after April 1, 1864, — or July 1, 1864, in the trans-Mississippi States, — the notes would no longer be current or receivable by the government, though still redeemable by the government as their face indicated. Six months more were to be allowed within which the notes could be exchanged for bonds, then those still outstanding were to be debarred from any further claim upon the government, that is, they were to be repudiated. The recommendations of the Secretary had in view the direction indicated by the two previous funding acts and pointed at its logical limit. The currency was to be forcibly reduced by compelling note-holders to withdraw their notes from circulation and turn them into bonds, by threatening them with a heavy tax in addition to eventual repudiation. The Secretary sought to justify such a measure by the arguments of the year before. He granted that it would constitute an infringement of the contract between the government and the noteholder, in that the original provision regarding the exchange of notes for bonds would be violated, and also in that the government would break its promise to accept and eventually pay the notes. He attempted to minimize such a repudiation of government obligations by claiming that in offering to exchange within a limited time the notes for the proposed new bonds, the government had “provided a fund as nearly equal to specie as is within its power,” that the government would act as every honest debtor does, would recognize the validity of the debt, offer the best security it could, and ask for time; in essence, then, he proposed forcing a compromise upon the creditors of the bankrupt government. The chief argument in favor of his plan of repudiation was the familiar one that unless such a measure were adopted all would be lost, private as well as public credit would be ruined, and the noteholders would be still worse off than at present. Any measure, involving no matter how great a breach of contract, could be justified if it averted such a calamity. The continuance of the circulation in its present dimensions

must be prevented by any means, the currency must be reduced, prices must be lowered, if the Confederate government is to continue. While drawing the strongest picture possible of the evils of the inflated currency, the Secretary of the Treasury almost in the same breath states that the further issue of treasury notes is absolutely necessary in view of the difficulty of obtaining any revenue by other means, and he proposed a new issue of notes to the amount of 200 millions of dollars in substitution for that amount of old ones, — which he planned would all be funded, — and a pledge that the government would not increase the issue.

Secretary Memminger, as well as President Davis, had evidently made up their minds that compulsory funding of notes was the only way open to the government, by which the redundant currency could be corrected. The President seconded his Secretary's proposals in his message to the Congress.¹ The similar devices adopted during the French and during the American Revolution, by which the currency was scaled, were in the Secretary's mind.² By various methods similar to those proposed by him the holders of French *assignats* had been compelled to fund these notes in bonds. It was hoped to reduce the amount in circulation with a view to raising the value of the remainder. They ceased to be accepted in payment of dues to the government; a new issue of notes was substituted for the old ones.³ The similar provisions adopted by the Continental Congress, which the French Assembly had distinctly in mind, were also perfectly familiar to the Southern statesmen. The famous act of March 18, 1780, by which the Continental currency was practically repudiated, was framed along the same lines as those suggested by Secretary Memminger. The report upon

¹ *Charleston Courier*, Dec. 14, 1863; Appleton, *Ann. Cycloped. for 1863*, pp. 205, 795.

² *Confed. Archives*: Memorandum in Memminger's handwriting, Dec., 1863.

³ White, *Fiat Money in France*, 59, 68-9; Palgrave, *Dict'y Pol. Econ.*, I, 63; *Le Moniteur*, XVI, 410-11 (19 mai, 1793); 587 (7 juin, 1793); XVII, 278-9 (31 juillet, 1793); XXIV, 440, 444-5 (10-11 mai, 1795).

this measure by a committee of the Continental Congress might have been copied by the Confederate authorities: "The old money must be called in and cancelled. For until that is done no regularity can be introduced into the finances, nor any dependence placed on any requisitions made. For as the old currency is daily depreciating, and as the same, by laws of many of the States, is made a standard by which to value the new money, unless it be speedily destroyed, it cannot fail to sink the new. It is therefore indispensably necessary that it be called in without delay."¹

The plan proposed by Secretary Memminger of correcting the redundancy of the currency by a variety of provisions aimed to compel the noteholder to give up all or a part of his notes dates back much further than to the eighteenth century. We hear of similar funding schemes being put into operation in China in the twelfth and fourteenth centuries,² when the paper currency was "scaled" by putting a limit upon the privilege of funding old into new notes.

The recommendations of the Secretary and the President not only fell upon willing ears, but were no doubt reinforced by a popular clamor in favor of compulsory reduction of the currency which found expression in the Southern newspapers during the fall and winter of 1863-4, in marked contrast with the outcry raised upon the passage of the preliminary repudiation measure of March, 1863. The *Richmond Examiner* took the ground in September that "compulsory funding of some large body of the government's currency, now outstanding, is the only cure left our government." This meant compulsory reduction of the currency which the paper understood and justified, though it would not fully acknowledge that such a policy involved a partial repudiation of the Confederate debt. Voluntary reduction of the currency was out of the question; it must be accomplished by force. "No matter who is to profit by the resumption of a proper basis for our business transactions — no matter who is to suffer

¹ *Secret J'r'l Continental Congress*, I, 207 (Rep't Comm., Apl. 18, 1781).

² *Journal Asiatique*, 3^e S., T. IV, pp. 259-60, 447 (sept., nov., 1837).

—that basis must be established once for all, firmly and honorably.”¹

Other Virginia newspapers frankly admitted that voluntary funding had been tried and had failed, and that the only plan now open was to compel the noteholders to give up their notes. “Scaling” the notes was proposed, but especially a heavy tax upon the notes, which was justified and held to be constitutional on the familiar pleas that every tax, however much it approached confiscation, was justifiable, and that the government could honorably tax its own obligations. Duff Green proposed taxing all notes 5 % if funded within 90 days, and adding a 10 % tax every further 90 days till the whole issue was absorbed, the tax to be collected from the noteholders when they offered the notes to the government for bonds, as if they would walk into the trap.²

Of the South Carolina newspapers the *Charleston Courier* was outspokenly opposed to all these suggested currency measures. It objected to the injustice and bad faith they almost all involved, warned the government against the demoralizing effect of any repudiation measure, and urged heavy taxation beside a forced loan, if necessary, as an adjunct. How such a loan could avoid the injustice complained of was not stated.³ The *Charleston Mercury*, on the other hand, fell in with the popular demand for compulsory reduction of the currency.⁴

Other newspapers went the full length of advising either editorially or through contributed letters, outright repudiation of the Confederate debt. One correspondent suggested taxing the bonds and notes out of existence and beginning over again, or taxing all slave property, the cause of the war, 50 % of its value.⁵

¹ *Richmond Examiner*, Sept. 3, Nov. 14, Dec. 3, 11, 19, 1863; Jan. 1864 (*passim*).

² *Lynchburg Daily Republican*, Jan. 27, 1864; *Petersburg Express*, Nov. 29, Dec. 12, 1863; Jan. 5, 1864; Jones, *Diary*, II, 97-8 (Nov. 14, 1863); Duff Green, *Finance & Currency*, 1-3; *Richmond Enquirer*, Oct. 30, Nov. 2, 6, 1863; Jan. 8, 1864 (corresp.); Jan. 16, 1864 (Duff Green, corresp.).

³ *Charleston Courier*, Jan. 18, 1864.

⁴ *Charleston Mercury*, Nov.-Dec., 1863 (*passim*).

⁵ *Memphis Appeal* (Atlanta), Nov. 11, 1863, Jan. 5, 1864; *Charleston Courier*, Dec. 16, 1863 (corresp.).

Some of the North Carolina papers opposed the popular movement and held that repudiation of the debt would be an illusory remedy of the existing difficulties. The government had broken its word and was being urged to do so again. As a result, the government credit was ruined, and no means could be devised to compel the unwilling noteholder to exchange his position for that of a bondholder. The previous funding acts had not driven the notes out of circulation, and later and similar acts would have no different effect.¹

A bank convention held in Augusta in November, 1863, had urged — as the Secretary a few weeks later brought forward — a new 1000-million bond issue to bear 6 % interest in coin, the subscriptions payable in any kind of treasury notes; but the bankers urged the Congress to fully recognize the noteholders' right to fund their notes in 8 % bonds, and that such bonds should be provided.² Such a proposal could not have been taken seriously, as the government was already fully committed to paying its interest charges in notes, and had already learned to tamper with the terms of its contracts with its noteholders.

The Virginia legislature appointed a committee to formulate plans to remedy the difficulties of the Confederate finances. A scheme was proposed which was framed by a Virginia banker aiming at a diminution of the Confederate currency and a stoppage of further issues. Eventually exclusive dependence was to be put on taxation. In the mean time a large issue of bonds was to furnish a sufficient revenue. The plan apparently was not further discussed, but the legislature took up a scheme to effect a forced loan of one-tenth of all property with a view to reducing the currency.³ The Governor in his subsequent message urged the adoption of a fiscal policy which should retire the excess of currency above the amount necessary to the business of the country,

¹ *N. C. Standard*, Oct. 9, 1863; *Raleigh Progress*, Jan. 8, 1864, quoting *Columbus Carolinian*.

² *Rep't Comm'r Taxes*, Nov., 1863, p. 43; *Richmond Examiner*, Nov. 17, 1863.

³ *Charleston Courier*, Oct. 15, 1863, quoting *Richmond Dispatch*; *Richmond Enquirer*, Oct. 19, 1863.

and bitterly denounced the government policy which had led to the present redundancy, to which the issue of Virginia State treasury notes had materially contributed. In a later message he offered more specific recommendations. Bonds to the amount of 1000 million dollars bearing 4 % interest should be authorized, and notes should be forcibly converted into them and cease to circulate.¹

While these discussions were going on, the Congress was fully considering the financial situation. It was taken for granted that bold measures would be adopted. The House of Representatives at once appointed a special committee to consider the various plans proposed. It consisted of Representatives Boyce of South Carolina, Conrad of Louisiana, Jones of Tennessee, Baldwin and Johnson of Virginia, Lyon and Pugh of Alabama, Bridges of North Carolina, and Gray of Texas. Numerous bills were introduced in both Houses, for instance, one to compel noteholders to exchange nine-tenths of their notes for 2 % bonds, and another taxing notes 5 % every month for eleven months, and a similar one more in line with the Secretary's recommendations. In January, 1864, the matter was seriously taken up in the Congress, and in secret session. The special committee of the House had reported a bill to tax, fund, and limit the currency, which provided that all non-interest-bearing treasury notes above \$5 should be funded in 6 % bonds till March 1, 1864, then in 4 % bonds till May 1 at par, during May at three-fourths, during June at one-half, and during July at one-fourth of their face value; thereafter such notes should not be any longer fundable, and the debt they represented should be deemed satisfied. Authority was to be given for 200 millions in new notes and 500 millions in 6 % bonds. The minority of the committee presented a much more radical scaling measure, which proved to be more acceptable to the House, for the majority's bill was referred to the committee with instructions to amend it so as to provide for a 50 % tax on property, profits, etc., sufficient to absorb the remainder of the outstanding notes,

¹ *Va. Senate J'l*, 1863-4, p. 18, 69; *Richmond Examiner*, Jan. 2, 1864.

also to provide for an issue of 200 millions in new notes and 6 % non-taxable bonds to meet any deficit. The committee was slow to act upon these instructions, and in the mean time numerous bills were offered providing for a new issue of notes exchangeable for the old ones at some such ratio as 1 for 5 or 1 for 8. Other bills called for a progressive tax upon the notes with a view to driving them out of circulation. The House repeated its instructions to the committee, and by the middle of January a bill was reported and passed on the 18th providing that all non-interest-bearing notes above \$5 should be fundable in 6 % bonds till April 1, 1864, thereafter in 4 % bonds, and that those outstanding on June 1, 1864, should be taxed 25 % per month till they had been taxed out of existence. The bill also called for a new issue of 200 millions in notes and 500 millions in 20-year 6 % non-taxable bonds. In the Senate various amendments were offered. A compromise was arranged by a conference committee of both houses, and the bill was passed and was signed by the President on February 17, 1864, at the close of the session, together with a number of other financial bills of importance, of which more below.¹

The provisions of the famous act "to reduce the currency and to authorize a new issue of notes and bonds" were as follows. Non-interest-bearing notes were divided into three classes: those of denominations of \$5 and less; those of denominations between \$5 and \$100; and those of denominations of \$100 and above.

The notes of small denominations — \$5 and less — were to continue to be receivable by the government, and fundable at par till July 1, 1864, — Oct. 1, 1864, west of the Mississippi, — thereafter they were to be taxed one-third of their face value and were to be exchangeable for new notes at the rate of \$3 in old for \$2 in new notes. A later act of June

¹ *Confed. Archives: Journals of Senate & House*, Dec., 1863, Feb., 1864; *Richmond Examiner*, Dec. 5, 8, 10, 14, 15, 25, 1863; Feb. 17, 18, Mch. 1, 1864; *Charleston Courier*, Dec. 15, 22, 1863; Feb. 26, Mch. 1, 5, 1864; Jones, *Diary*, II, 130 (Jan. 18, 1864); Capers, *Memminger*, 344; McPherson, *Rebellion*, 368; Moore, *Rebellion Record*, VIII, 431.

14, 1864, levied a tax of 100 % upon all the old notes outstanding on January 1, 1865.

The notes of denominations above \$5 and under \$100, which comprised the great mass of the circulation, were made fundable in 20-year 4 % registered bonds till April 1, 1864, — July 1, west of the Mississippi. The requirement of registered bonds aimed of course at impeding their easy transfer. However, these bonds and the corresponding certificates to be issued till the bonds could be prepared were to be receivable at par in payment of dues to the government during the year 1864, except, as usual, for the cotton export duty. All such notes not funded in 4 % bonds before the given date were to be taxed one-third of their face value, the tax to be deducted at the treasury or by the tax collectors when they were presented in payment of taxes, or were offered for new notes at the rate of \$3 in old for \$2 in new notes, or for bonds, in which case the notes were fundable at two-thirds of their face value. The right to fund was to cease on January 1, 1865, and the old notes then outstanding were to be taxed 100 %.

The notes of large denominations — \$100 and above, in amount exceeding 200 millions — were treated with still greater severity. Those not presented for 4 % bonds by April 1, 1864, — July 1, west of the Mississippi, — were then to cease to be receivable by the government and, in addition to the 33 $\frac{1}{3}$ % tax, were to be taxed 10 % per month till funded. Moreover, they were not exchangeable for new notes.

The interest-bearing call certificates were treated like the notes. If not presented within the time specified for the notes they were to bear interest on only two-thirds of their face value, and were made redeemable only in treasury notes at that rate.

The 7.30 % notes, of which, roughly speaking, 125 millions were outstanding, received similar treatment, as we have seen. They were no longer to be accepted by the government, and were to be deemed bonds, bearing the same interest and payable two years after the establishment of

peace. A later act of November 28, 1864, made these notes exchangeable for 30-year 6 % bonds.

Expressed in simple terms, the act aimed to reduce the outstanding circulation of notes by compelling noteholders to fund their notes in 4 % bonds or exchange them at the rate of \$3 in old for \$2 in new notes. To carry out this plan the necessary bonds and notes were authorized. The authority to issue the old notes ceased on April 1, 1864. The new notes which superseded all previous issues were made payable two years after the establishment of peace, and were receivable by the government for all dues except for the cotton export duty. They could be exchanged for 4 % call certificates payable at the same time. A similar issue of 6 % non-taxable certificates was also authorized with which to pay for government supplies, if agreeable to contractors. These were not intended for general circulation, as they were made transferable by endorsement only. The expenses of the government were further to be met out of the proceeds of a new bond issue for 500 millions bearing 6 % interest. The interest and principal of these bonds were exempt from taxation, and their payment was secured by the net receipts of any export duty hereafter to be levied upon cotton, tobacco, and naval stores, and also by the net proceeds of the import duties. The former never materialized, and the latter amounted to an insignificant sum. A provision was added making all import duties payable in specie, sterling exchange, or in the coupons of these bonds. Finally, the Secretary of the Treasury was authorized to hypothecate these bonds for notes so as to meet the appropriations of the Congress and to reduce the currency.

As to the effect of the Funding Act, the popular belief that prices would fall was not realized. Immediately upon the passage of the act there were complaints of a scarcity of currency, a familiar phenomenon at the time of inflation.¹ "From a plethora of paper money, we shall soon be without a sufficiency for a circulating medium," wrote one observer.²

¹ See pages 146 & ss.

² Jones, *Diary*, II, 154 (Feb. 21, 1864).

Such fears were based on commodities continuing to rise after a temporary drop in price in spite of the supposed contraction of the currency. This movement surprised and exasperated people.¹

It is difficult to state the amount of notes funded in bonds before April 1, 1864. Apparently the amount was 250 millions,² one-third to one-half of which represented \$100 notes, which were fully discredited by the government after that date. The Secretary's report of May 2, 1864, put the total amount of currency at 800 millions, — 1000 millions would have been nearer the correct figure. Of this amount, 50 millions were in the hands of disbursing officers; 250 millions had been funded east of the Mississippi, and 50 millions presumably would be funded west of the river, leaving 450 millions in old notes still in circulation. Of these 450 millions, 128 millions were \$100 notes, and were considered out of existence by him, as they were no longer tax receivable and were to be taxed out of existence in six months. This figuring left 322 millions (450 minus 128) still in circulation, equivalent in new notes, at the rate adopted, to 214 millions. It was by such legerdemain that the Secretary and the President tried to satisfy themselves and the Congress that the currency was once more within bounds. In point of fact, the 128 millions of \$100 notes continued to circulate, and only a part of the 322 millions of smaller notes were offered for exchange in new notes. Of the latter 48 millions had been issued by the end of April, 70 millions by August, and 284 millions by October, 1864.³ When the Funding Act went into operation, the treasury notes and call certificates outstanding must have amounted to over 1000 millions of dol-

¹ *Richmond Examiner*, Mch. 1, Apl. 21, Aug. 27, 1864; *Raleigh Progress*, June 1, 1864; *Mobile Advertiser & Register*, Mch. 5, 1864; *Columbus Daily Sun*, Apl. 12, 1864; Jones, *Diary*, II, 178-80.

² *Rep't Sec'y Treas'y*, May 2, 1864; *Richmond Examiner*, Apl. 21, 1864; *Richmond Dispatch*, Apl. 5, 1864; *Richmond Sentinel*, Apl. 7, 1864; *Charleston Courier*, May 9, 1864 (Pres. Davis, mess., May 2); Capers, *Memminger*, 480.

³ *Confed. Archives: Register to Memminger*, Apl. 29, 1864; *Richmond Examiner*, Apl. 1, 14, 16, Nov. 26, 1864 (Sec'y Trenholm to Speaker, Nov. 25, 1864).

lars.¹ By October 1, 1864, the amount must have exceeded this figure,² though it is impossible to distinguish in the official accounts between the amount of old notes exchanged for new ones and those simply discredited, though still remaining in circulation. During those seven and a half months the amount of notes in circulation had no doubt been considerably reduced, but had again risen to and above their old level. This movement was distinctly reflected in the gold premium. The value of a gold dollar had been \$23 in paper at the time the Funding Act was passed, sank successively to \$22, \$21, \$19, and \$17 during the following four months, but rose as rapidly after the middle of 1864, and reached \$23 again in September, and then rose to \$30 and \$40 before the end of the year. As soon as the government began to exchange new notes for old ones at the established ratio of \$2 for \$3, their value fell, and both kinds circulated side by side, were equally discredited and continued to depreciate together.

The attempt to float the 500 millions of 6 % non-taxable bonds, with which it had been hoped to meet the government's running expenses, met with little success. They were at first disposed of in small lots at 135 in currency, equivalent to \$6 in specie, but did not find many buyers. By October 1, 1864, less than 14½ millions had been placed, much to the chagrin of the Secretary of the Treasury.³

The issue of 6 % certificates to government contractors had been even less successful. Government contractors were unwilling to accept them, and only 1¾ millions could be placed by October 1, 1864. Notes to the extent of 21 millions, however, were secured by hypothecating bonds.⁴

¹ *Confed. Archives*: Register to Memminger, Apl. 30, 1864.

² *Rep't Sec'y Treas'y*, Nov. 7, 1864.

³ *Rep't Sec'y Treas'y*, Nov. 7, 1864; *Charleston Courier*, May 30, 1864 (Memminger to Pres. Senate); June 8, 23, 1864; *Richmond Enquirer*, June 7, 22, 1864; *Richmond Examiner*, Sept. 3, 1864 (Notice Sec'y Treas'y, Aug. 22, 1864); *Confed. Archives*: Memminger to Sec'y War, June 2, 1864; *Charleston Mercury*, Oct. 18, 1864; *Off'l Rec'ds Rebellion*, 4th S., III, 465.

⁴ *Rep't Sec'y Treas'y*, Nov. 7, 1864; *Richmond Examiner*, Aug. 9, 25, 1864 (edit.).

It is evident that, just as in the case of the act of March 18, 1780, the Confederate act of February 17, 1864, wrecked the government's finances beyond the hope of saving them from utter ruin. Secretary Memminger soon lost confidence in the efficacy of the measure, and blamed the Congress for departing from his recommendations.¹ This was hardly a fair attitude to assume in view of the Congress's having followed his instructions quite closely in framing the Funding Act. It evidenced the breach between the Congress and the Secretary which the failure of the Confederate financial policy had created. The feeling in the Congress against the Secretary grew in intensity. It was even proposed to impeach him, but the matter was not pressed, as his resignation, it was intimated, was to go into effect at the end of the session. The *Richmond Examiner* and its editor, E. A. Pollard, were especially violent in attacking the Secretary and blaming him for leading the Confederate treasury into a labyrinth of difficulties, which feeling President Davis is credibly reported to have shared.² Secretary Memminger resigned on June 15, 1864, and was succeeded three days later by Mr. George A. Trenholm, a well-known cotton exporter of Charleston. He had been active in furthering blockade-running enterprises, and in that and other connections had often been consulted by the Richmond authorities. He brought to the leadership of the Confederate treasury a wide acquaintance with large business operations, but could not infuse new life into the government finances, which had been hopelessly doomed by the previous policy culminating in the above Funding Act.

Among the agencies which weakened the power of the South to resist the North we put first the Federal blockade and the Confederate financial policy. Memminger cannot escape the responsibility for the latter. It was framed largely

¹ Jones, *Diary*, II, 182 (Apr. 5, 1864); *Rep't Sec'y Treas'y*, May 2, 1864.

² *Richmond Examiner*, Feb. 15, Aug. 8, 24, 1864; Pollard, *Davis*, 175, 187; Pollard, *Lost Cause*, 18 & ss.; *Charleston Courier*, May 30, June 1, 16, 18, 1864; *Richmond Sentinel*, July 2, 19, 1864; Alfried, *Davis*, 246, 481; Craven, *Davis*, 138; Capers, *Memminger*, 365.

upon lines suggested by him; and its development and final culmination in utter government bankruptcy was not seriously resisted by him. A man of his antecedents and limited experience could not have been expected to formulate a brilliant fiscal policy and win public favor for it. But we miss in him the ability to foresee the inevitable consequences of the measures he proposed, and the power to assume leadership by winning the confidence of the Congress and their co-operation in framing a policy that should have secured the fullest use of the resources of the South instead of one that dissipated and deranged them. A financier of like talent to that of the Southern military leaders would doubtless have conducted the affairs of the treasury with more success.

CHAPTER IV

THE FINANCIAL LEGISLATION OF 1864-1865

THE SECOND CONFEDERATE CONGRESS — THE EFFECTS OF THE FUNDING ACT OF FEBRUARY, 1864 — THE RELATION OF THE BANKS AND THE STATE TREASURIES TO ITS PROVISIONS — ITS AMENDMENTS — INTEREST PAYMENT ON CONFEDERATE BONDS — THE FINANCIAL MEASURES OF THE LAST SESSION — SPECIE LOANS AND TAXES — THE FINAL COLLAPSE.

THE Funding Act of February, 1864, had been passed during the last hours of the first Congress, which expired on February 18, 1864. The second Congress had been elected during the previous November, and was called together on May 2, 1864. The first session lasted till June 14, and the second and last from November 7, 1864, till March 18, 1865. The new House of Representatives contained nearly forty new members in the place of that number of old ones who were not re-elected. Among the ten North Carolina Representatives, eight were new, and represented the opposition to the extreme war policy. In the personnel of the Senate there were also some changes. Senator J. L. Orr was elected chairman of the Committee on Foreign Affairs; Barnwell, of the Finance Committee. In the latter committee the chairman and Senator Hunter of Virginia were the only old members; the new ones were Senators Graham of North Carolina, T. J. Semmes of Louisiana, R. Jemison, Jr., of Alabama, and later Orr of South Carolina and Oldham of Texas.¹

When the new Congress met in May, 1864, the Confederate prospects of ultimate success were indeed gloomy.

¹ *Confed. Archives*: Senate J'r'l, May 3, 1864, Feb. 1, 1865; *Raleigh Progress*, May 4, 1864; *N. C. Standard*, Nov. 6, 10, 17, 1863, June 10, 1864; *Richmond Examiner*, Dec. 8, 1863; *Off'l Rec'ds Rebellion*, 4th S., III, 1183.

Shannon signed from 1864 to Nov. 15, 1864
Grant's announcement given to him by Gen. M. A. G. 1864. The order of the day
in fact making the announcement was published Dec. 12, 1864.

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General Sherman was beginning his march to the seacoast, General Grant had taken supreme command of the Federal troops, and was about to begin the last series of successful campaigns. In North Carolina discontent was growing, and the three desperate measures of February 17, 1864, the Conscription Act, the Tax Act,¹ and the Funding Act were accomplishing little if anything to stem the tide.

The primary effect of the Funding Act was to impair popular confidence in the Confederate government, as had been the case with similar measures passed during the American and the French Revolutions. Some declared it unconstitutional, though it was inferentially upheld by the Attorney-General,² and others argued that the anomalous condition of the Confederate States justified such a violent measure. From all sides it was attacked as an ill-advised act, which opinion Vice-President Stephens shared. Others took comfort in the fact that it did not constitute an entire repudiation of the government obligations, and called it an "ingenious adjustment" and "not a violent throwing off of the burden" of the public debt.³ There was a general agreement that the people's confidence in the government's promises was destroyed by the act beyond the hope of recovery.⁴ Secretary Trenholm soon realized its unfortunate effect, and wrote to Governor M. L. Bonham of South Carolina in August, 1864: —

"However patriotically intended, it is not to be denied that the measure adopted by Congress for the reform of the currency had the unhappy effect of inspiring the public mind with feelings of fear and distrust as to the course that would ultimately be pursued by the Treasury notes. Apprehensions of ultimate

¹ See pages 299 & ss.

² *Att'y Gen'l's Opinion*, Mch. 18, 1864; *Charleston Courier*, Feb. 27, 1864 (corresp. & edit.).

³ *Charleston Courier*, Feb. 24, 1864, quoting other newspapers; *Mobile Advertiser & Register*, Feb. 20, 1864; *Raleigh Progress*, Apl. 6, 1864 (Vice-Pres. Stephens' address to Ga. legislature); *Richmond Examiner*, Apl. 14, 1864 (edit.).

⁴ *Charleston Courier*, Aug. 23, 1864 (quoting *Macon Telegraph*); *Macon Telegraph*, Feb. 17, 1864; *Raleigh Progress*, Mch. 16, 1864 (Gov. Ga. mess.).

repudiation crept like an all-pervading poison into the minds of the people, and greatly circumscribed and diminished the purchasing power of the notes . . . It must now be universally admitted that the policy [of compulsory funding] was erroneous.”¹

As we have seen, currency prices continued to rise without interruption. At first the old notes were accepted with a discount as compared with the new issue. But soon the general lack of confidence in the government's ability to meet any promises led to old and new notes being treated alike. The intricate character of the act and the variety of treatment accorded to the different classes of notes contributed to this result. Noteholders found it, as formerly, to their advantage to withhold the old notes from the treasury and circulate them.²

Secretary Memminger had asked the banks to co-operate with the government in scaling the unfunded debt by receiving old notes on deposit, and crediting depositors with \$2 for \$3 deposited. The Richmond and Charleston banks and other corporations acted upon his suggestion, and notified depositors to close their accounts and settle their claims before April 1, 1864, unless they wished their deposits or claims scaled one-third, or credited to them in 4 % bonds.³

The treasuries of the individual States naturally held large amounts of Confederate notes, and were separately provided for in the Funding Act. Confederate notes received by the State treasuries before the time set for taxing them one-third of their face value, namely, April 1, 1864, could be exchanged at par for 20-year 6 % bonds; if offered before January 1, 1865, notes received by them after April 1, 1864, were similarly fundable, but only at one-third of their face value. This provision was amended on June 14, 1864, so as to enable the State treasuries to exchange all the old

¹ *Richmond Examiner*, Aug. 22, 1864.

² *Rep't Sec'y Treas'y*, Nov. 7, 1864; *Atlanta Register*, Feb. 20, 1864; Eggleston, *Recollections*, 91.

³ *Richmond Examiner*, Feb.-Mch., 1864 (*passim*); *Charleston Courier*, Mch. 4, 1864.

notes they held for 4 % non-taxable bonds, or one-half for 6 % bonds and the other half for new notes. It had evidently been impossible to distinguish between the notes received by the States before and those received after April 1, though the act of February, 1864, had magnanimously left the matter to the good faith of the States and their Governors.

Some of the State governments took advantage of the original and the amended offer of the central government. A Virginia act of March 3, 1864, at once provided for an exchange of old Confederate notes, which were accumulating in the State treasury, for 6 % bonds. Five millions were apparently thus funded. There was also some talk of copying the Confederate policy and forcibly funding the State treasury notes in State bonds.¹

The State of Mississippi arranged a similar exchange of notes for bonds, the latter to be sold for State or new Confederate notes, presumably in the hope of a successful speculation. The legislature also provided against loss to the treasurer, by requiring that the old notes should be accepted for taxes at one-third of their face value till July 1, 1864, and thereafter not at all, special provisions applying to the \$100 notes and those under \$5. North Carolina took similar precautions.² The Alabama legislature followed suit on October 7, 1864. Georgia had anticipated the effect of the Funding Act by providing on March 17, 1864, for an issue of State treasury notes redeemable in Confederate notes issued after April 1, 1864, which the act declared necessary as a means of meeting State appropriations and in order to avoid the confusion of the Confederate notes which were "unsuitable as currency."

The Congress found it necessary to amend the Funding Act in a way that indicates how futile the attempt was to reduce the outstanding currency. By an act of December 29, 1864, which was under discussion more than a month,³ the

¹ *Va. H'se Doc's*, 1864, no. 3, p. 181, *Special Rep't State Aud.*, Oct. 3, 1864.

² *Miss. acts* Mch. 30, Apl. 5, Aug. 13, 1864; *N. C. act* May 21, 1864.

³ *Richmond Examiner*, Nov. 18, 19, 1864.

term for exchanging the old notes for 4 % bonds was extended to July 1, 1865, and the 100 % tax upon them, which was due on January 1, 1865, was suspended for six months, and all notes of the old issues were again made tax receivable during the same period. This amounted to an acknowledgment of the failure to remove the obnoxious old notes from the circulation.

An earlier amendment passed on May 21, 1864, had reference to old notes held by tribes of friendly Indians, which, it was provided, could still be exchanged at par for new notes. The relation of the Confederate States to the tribes of Indians within their borders called for considerable legislation. Numerous treaties of peace had been framed beginning with some in 1861, which often created trust funds of which the Confederate government was custodian. These in the shape of money or bonds were held by the treasury, and interest was paid to the Indians in treasury notes, and toward the end of the war in cotton at its market value. Apparently this small class of creditors were treated with special consideration.¹

Interest payment on the Confederate bonds continued with tolerable regularity throughout the war.² The interest on the 15-million loan authorized in February, 1861, was paid in coin for a year,³ a policy which the Secretary was anxious to maintain. But after the spring of 1862 no further effort was made in that direction, and the government met the interest charge with treasury notes. The policy aroused little complaint.⁴ The question could not seriously be raised after the gold

¹ Indian Treaties (bound with *Statutes C. S.*, 1861-5); *Acts Mch.* 15, Dec. 24, 31, 1861; Jan. 10, 1862; May 1, 1863; *Mch.* 9, 1865; *Off'l Rec'ds Rebellion*, 1st S., III, 572-6.

² *Acts* May 21, Dec. 24, 1861; *Apl.* 2, 19, Oct. 13, 1862; Feb. 10, May 1, 1863; Feb. 11, 17, June 13, 1864; *Mch.* 1, 1865; *Rep'ts Sec'y Treas'y*; Notices in newspapers.

³ *Confed. Archives*: Denègre to Memminger, Dec. 21, 1861; Memminger to Denègre, Jan. 7, 1862; *N. O. Price Current*, July 6, 1861; *Charleston Courier*, Jan. 1, 1862; *Charleston Mercury*, Feb. 25, 1862.

⁴ *Charleston Courier*, Sept. 15, 1863; *N. C. Standard*, Jan. 8, 1864, quoting *South Carolinian*.

premium had reached 50% and higher figures. The continued payment of interest in depreciated treasury notes cost the government no effort, and, of course, did not add appreciably to the standing of the bonds, especially in view of the successive repudiation measures described above.

The last official and full statement of the Confederate finances available to us covers the six months ending October 1, 1864. On that day the domestic public debt amounted to 1371 millions of dollars, an increase of only 50 millions during the previous half year, more than accounted for by the increase of 61 millions in bonds outstanding. The operations of the Funding Act had reduced the amount of notes and call certificates outstanding on April 1, 1864, — namely 1021 millions, — by 12 millions, to 1009 millions. On October 1, 1864, the debt comprised 362 millions of bonds, a third of them dating from the loan acts of 1861 and representing voluntary loans, and two-thirds of them from the various funding acts and representing funded notes. Interest-bearing notes and certificates were outstanding to the amount of 178 millions, which with the 831 millions of non-interest-bearing notes outstanding, constituted three-fourths of the Confederate debt at the time. Of these notes 547 millions were old notes still in circulation but discredited by the government, and 284 millions were new notes issued in exchange for old ones at the rate of \$2 for \$3.

The preponderance of note over bond issues is noticeable. Of the domestic debt, as it stood on October 1, 1864, not more than 125 millions represented voluntary loans, namely, the 15-million loan and the produce loans of 1861, while roughly 1250 millions represented forced loans of one kind or another. As has been shown in a variety of connections, from his standpoint the government creditor preferred to hold a government promise which could be used in circulation and for purposes of speculation to holding a government bond by which his profits were limited to the interest he received in depreciating notes. The pressure on the part of the government creditors to secure a government obligation which could

be readily passed on from hand to hand in commercial transactions is evidenced in a small way by the legislation of the last year of the Confederate States, which aimed to facilitate the exchange of registered for coupon bonds. The act of June 13, 1864, offered the holders of registered bonds under the produce loan acts an opportunity to exchange them for coupon bonds, which were much more easily transferred. A similar act of February 23, 1865, applied the same provisions to the bondholders of the 15-million loan of 1861. The original act had failed to clearly provide for such an exchange.

There must have been some agitation in favor of similarly making the 6% registered bonds under the act of February 17, 1864, exchangeable for interest-bearing treasury notes which would circulate freely, for a bill to that effect was offered in the Senate in November, 1864; also a bill with much the same object in view, to make the 4% bonds and certificates under that act tax receivable during 1864.¹

A comparison of the government's receipts during the half-year periods ending respectively on March 31 and September 30, 1864, throws much light on the Confederate finances and their approaching collapse.

Receipts	October 1, 1863, to March 31, 1864	April 1, 1864 to September 30, 1864
Issue of notes and certificates . .	\$306,214,028.50	\$300,289,210.50
Issue of bonds	276,302,423.90	33,834,569.36
Taxes	60,457,177.78	42,388,138.91
Confiscated property	3,000,787.37	2,891,932.75
Miscellaneous receipts	2,646,641.26	322,649.29
Total receipts (in currency) . .	\$648,621,058.81	\$379,726,500.81
Total receipts (in specie), say .	34,000,000.	19,000,000.

After April 1, 1864, the issue of bonds yielded little, notwithstanding the efforts to compel noteholders to fund their notes in bonds; the revenue from taxes fell off nearly one-

¹ *Richmond Examiner*, Nov. 9, 15, 1864.

third; confiscated property yielded a trifling revenue. The main reliance after April 1, 1864, was put upon the issue of notes, which yielded nearly four-fifths of all the revenue during the following six months, though the issue of new notes, strictly speaking, constituted no net revenue, as they had to be exchanged for old ones which were supposedly not re-issued.

When the Congress met for its last session in November, 1864, Secretary Trenholm presented his report. He pointed out that the compulsory funding law of the previous session had not permanently diminished the volume of the currency nor sustained the value of the notes. These had continued to depreciate. In view of the hopeless condition of the currency he recommended as a last resort the dependence of the government upon specie and banknotes, whatever that meant. He proposed that the government should reverse its policy and discontinue taxing the old notes, and should pledge itself not to increase the existing issues; one-fifth of the revenue from taxes was to go to redeeming outstanding issues till their amount should be reduced to 150 millions. The existing taxes, under the most favorable conditions, could not have accomplished this end in less than forty years. However, Secretary Trenholm proposed an increase in the tax rate, for instance, to 5 cents a pound in the case of the cotton export duty, and a doubling of the import duties, both of which would hardly have increased the government revenue to an appreciable extent. He also proposed devoting the tithe on cotton, corn and wheat, from which source he anticipated obtaining an annual revenue of 90 millions, to the redemption of outstanding notes. The existing burden of taxation he very properly deemed merely nominal, and called for a large increase.

President Davis, in his message to the Congress, endorsed the Secretary's proposed plan for remedying the redundancy of the currency and the lack of confidence in the government.¹

¹ *Richmond Examiner*, Nov. 8, 1864.

A month later a bill was prepared by the Ways and Means Committee and offered in the House embodying Secretary Trenholm's recommendations. All notes issued before February 17, 1864, were declared non-taxable, a reversal of the plan adopted by the Funding Act. One-fifth of the notes thereafter received by the government were to be cancelled until the amount outstanding fell to 150 millions. After the establishment of peace four-ninths of the cotton tithe at 50 cents a pound, four-ninths of the corn tithe at \$2, and one-ninth of the wheat tithe at \$4 a bushel should be pledged to the redemption of the notes until they were all cancelled,—the tax in kind being continued until then. The bill was discussed by the Congress during December, 1864, and its passage was strongly urged by Secretary Trenholm, whose views were presented in the House by F. S. Lyon of Alabama. He spoke of the groundless popular outcry against heavy taxation, claimed that the existing taxes amounted to no more than 1% of the value of all taxable property, and favored heavy taxation,—that is, closing the door after the horse was stolen. Others wisely held forth upon the fact that the Confederacy had neglected to raise a revenue by taxation at the outset, but had committed itself almost exclusively to note issues.

Substitutes for the committee's bill were offered and discussed. On December 24, 1864, the original bill was passed by the House with one important amendment. Instead of reversing the policy of the act of February 17, 1864, and declaring notes issued before that date exempt from taxation, as recommended by the Secretary with a view to raising public confidence in the government's promises, the bill as passed exempted only the notes issued since February 17, 1864, which the act of that date had already done. In the Senate the bill met with opposition. A conference committee tried to bring the two houses to an agreement in February, 1865, but failed, and on March 3 the committee was discharged, and the bill failed of enactment.¹

¹ *Charleston Courier*, Dec. 2, 3, 10, 1864; Jan. 4, 1865; *Augusta Chron. & Sent.*, Dec. 4, 1864; Jan. 6, 1865; *Richmond Examiner*, Dec. 13, 15-17, 19, 22,

The feeling in and out of the Congress was general that the paper money policy had gone too far to be reversed, that nothing would be gained by attempting to correct its evils and improve the government's credit, that it was as easy to issue small as it was to issue large amounts of notes, and that the government might as well continue to pay its way with further issues, which might be worth something if the South succeeded, and would be worth nothing if it failed.¹

The Congress accepted this view, and among its last acts provided for a new issue of 80 millions of dollars to pay the arrears due the army. This act was passed over the President's veto on March 18, 1865, Senator Semmes of Louisiana casting the only negative vote in the Senate. The President's objections that such a measure violated the distinct pledge contained in the act of February 17, 1864, not to increase the issue of notes, and his warnings that such an increase would prove disastrous passed unnoticed.²

As the Federal armies closed in on Richmond and overran the Southern States during the last months of the war, the Confederate treasury was driven to extreme measures. Secretary Trenholm reported in the middle of December, 1864, that by January 1 the treasury would be empty; the estimated expenses during the first half of 1865 he put at 444 millions, which he had hopes of partly meeting with the proceeds of the tax in kind (145 millions). The remainder he proposed to raise by a tax on money, that is presumably on currency, half of which, or 107½ millions, could be collected by the middle of 1865, and by the sale of bonds.³

In January, 1865, he further recommended raising additional taxes to the extent of 360 millions by doubling the 1864; Jan. 4, 1865; *N. Y. Times*, Jan. 31, 1865 (8-1); *Charleston Mercury*, Feb. 4, 1865; *Raleigh Progress*, Mch. 6, 1865.

¹ *Raleigh Progress*, Feb. 20, 1865 (edit.).

² *Raleigh Progress*, Mch. 13, 1865; *Confed. Archives: J'l Senate & House*, Mch., 1865.

³ *Confed. Archives: Trenholm to Ways & Means Comm.*, Dec. 15, 1864.

existing rates and obtaining 36 millions from the sale of cotton. A bill to that effect was introduced and passed in the House, but apparently made no headway in the Senate. It raised the cotton export duty, and imposed a similar tax on tobacco; it also provided for the confiscation of all cotton and tobacco within the Confederate States, the owners to be reimbursed at a future time and at present prices.¹ This plan of having the government accumulate cotton and realize upon it still found favor with the *Charleston Courier*,² which advised the government to seize cotton and tobacco and borrow specie on their security, and redeem large amounts of notes. The Secretary further suggested establishing a government deposit office in connection with the treasury, which was to induce noteholders to deposit their notes with the government in exchange for some other form of demand obligation, and thereby remove the notes from the circulation and arrest the progress of their depreciation.

This plan was at once carried out, and deposits of notes were called for, 4% certificates to be issued in return and secured by hypothecating some of the 500 millions of 6% bonds which, as we have seen, had not been floated to any large extent. The old notes — other than those for \$100 — were to be accepted on deposit at two-thirds of their face value, and the certificates issued in exchange were made payable in ninety days.³ The plan was further perfected by the act of February 23, 1865, which established such a depository in each State, to receive drafts upon the treasury and all current notes. As the deposits bore no interest and the only inducement offered to noteholders was a partial exemption from taxation of their notes deposited, presumably little advantage was taken of the government's offer.

Finally, during the closing days of the Confederate Congress, an attempt was made to secure a supply of specie.

¹ *Confed. Archives*: Trenholm to House of Rep's, Jan. 9, 1865; *Charleston Mercury*, Jan. 21, 23, 1865.

² *Charleston Courier*, Jan. 28, 1865.

³ *Richmond Dispatch*, Jan. 18, 1865 (advert.).

A tentative act of March 13, 1865, aimed to borrow 30 millions in specie by issuing 6 % bonds payable two years after the establishment of peace, the proceeds to be used for the reduction of the outstanding notes. A few days later another more elaborate specie loan was authorized on the President's recommendation. This act of March 18, 1865,¹ authorized the Secretary to borrow 3 millions in coin with 6 % bonds payable two years after the establishment of peace, the principal and interest payable in specie. The loan was secured by hypothecating 50,000 bales of government cotton to be delivered to bondholders at convenient shipping points, and at the rate of 15 cents a pound. If the loan could not be effected, a tax of 25 % was to be levied on all gold and silver coin and bullion and foreign exchange, — \$200 were exempt in the case of each taxpayer, — the tax to be collected in kind on April 1, 1865, or as soon thereafter as possible.

The Secretary urged the banks to advance their specie to the government on the above terms, and succeeded in borrowing \$300,000 from those in Virginia. But almost immediately thereafter the government departments collapsed, and the remnants of the treasury were shipped southward from Richmond as the city threatened to become untenable. The final collapse of the government is too familiar a story to call for repetition.²

✓ As was noted above, the Funding Act of February, 1864, amounted to an open avowal of government bankruptcy. As soon as the provisions of the measure went into effect, practically no more bonds could be floated, and whatever further notes were issued were exchanged for an amount of old notes half as large again. The latter, as they reached the treasury, were supposedly cancelled and destroyed. The only direct

¹ *Confed. Archives: Instructions of Sec'y Treas'y*, Mch. 27, 1865; *Trenholm to A. Roane*, Mch. 28, 1865, to W. T. Booker, Mch. 29, 1865; *Richmond Dispatch*, Mch. 24, 1865; *Off'l Rec'ds Rebellion*, 4th S., III, 1155; *Raleigh Progress*, Mch. 20, 25, 1865; *Richmond Whig*, Apl. 14, 1865; *N. Y. Tribune*, Apl. 10, 1865.

² Cf. M. H. Clark in *So. Hist. Soc. Papers*, IX, 542-4 (1881); *N. Y. Times*, Jan. 6, 1882 (5-1).

evidence of the extent to which the notes received at the government treasury were actually cancelled is offered by the passage of the act of February 23, 1865, which provided that all treasury notes, bonds, and certificates received from the sale of confiscated property should be cancelled. A similar act of January 5, 1865, called for the cancellation of all 4 % bonds and certificates received by the government. The passage of these acts leaves it an open question whether or not the great mass of old notes received by the government after the spring of 1864 were, in fact, cancelled.

After the spring of 1864 the net revenue of the government was nominally limited to the revenue from taxes, which we know was inconsiderable. In point of fact, however, we are led to believe that a large part of the old notes were re-issued in payment of government expenses. Moreover, the evidence is conclusive that the government expenses during the last year of the war, like those of a bankrupt corporation, were chiefly met by creating a huge floating debt, represented, for instance, by large arrears — 400 to 500 millions — in the War Department, and by accumulated unpaid warrants on the treasury.¹

¹ *Off'l Rec'ds Rebellion*, 1st S., XLI, pt. 4, pp. 1109, 1129-30 (Dec., 1864); XLVIII, pt. 1, pp. 1382-3 (Feb. 8, 1865); 1424-5 (Mch. 15, 1865); LI, pt. 2, pp. 1064 & ss. (Mch. 5, 1865); XLVI, pt. 2, p. 1302 (Mch. 11, 1865); *Confed. Archives: Secr'y War to Secr'y Treas'y*, Dec. 30, 1864; Campbell, *Reminiscences*, 27; *Richmond Sentinel*, Mch. 20, 1865 (quoted in *N. Y. Times*, Mch. 23, 1865, 1-3).

CHAPTER V

THE LEGAL TENDER AGITATION

CONSTITUTIONAL PROVISIONS — CONFEDERATE MINTS — LEGAL TENDER NOTES — AGITATION FOR AND AGAINST — THE QUESTION OF CONSTITUTIONALITY AND EXPEDIENCY — STATE LEGISLATION.

THE fundamental law of the Southern Confederacy differed slightly from that of the North. In regard to the issue of legal tender paper money, the Constitutions of both sections were practically identical. These granted both governments the right to borrow money on their credit,¹ to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures;² they also granted the identical war powers.³

In framing legal tender laws to apply to coin, and especially foreign coin, the Confederate Congress followed the well-worn path indicated by previous Federal legislation. The act of March 14, 1861, continued the Federal mint laws, including presumably the legal tender laws, and accepted them as the laws of the Confederacy. The familiar silver subsidiary coins — the half-dime, dime, quarter-dollar, and half-dollar under the act of 1853 — were made a legal tender in sums not exceeding ten dollars, twice the amount fixed as the limit by previous Federal legislation. The same act fixed the legal tender value of some foreign coins current in the South,

¹ *U. S. Const'n*, I, 8, 2; *Confed. Prov. Const'n*, I, 6, 2; *Confed. Perm. Const'n*, I, 8, 2.

² *U. S. Const'n*, I, 8, 5; *Confed. Prov. Const'n*, I, 6, 5; *Confed. Perm. Const'n*, I, 8, 5.

³ *U. S. Const'n*, I, 8, 11-15; *Confed. Prov. Const'n*, I, 6, 11-15; *Confed. Perm. Const'n*, I, 8, 11-15.

namely, that of the English sovereign at \$4.82; that of the French 20-franc piece at \$3.82; and that of the Spanish and Mexican doubloon at \$15.53. These figures were five months later raised to \$4.85, \$3.85, and \$15.60 respectively. The silver coins in circulation were similarly rated, the American and Mexican dollar at \$1.02, and the French 5-franc piece at 95 cents.

The United States mints fell into the hands of the Confederates before and after the outbreak of hostilities, the important one at New Orleans early in 1861, the less important ones at Charlotte, North Carolina, and Dahlonega, Georgia, somewhat later. At first it was planned to continue minting operations. There is some evidence of the New Orleans mint's having been active as late as April 20, 1861. Dies were prepared, and a few silver half-dollars were coined,¹ but an act of May 14, 1861, directed all Confederate mints to suspend operations after June 1. This step may have been taken partly owing to the fact that, before the capture of the New Orleans mint, the dies were defaced or destroyed by some of the loyal Federal officials.² Even if mechanics skillful enough to replace and operate the necessary machinery had been found in the South, — which is unlikely in view of the difficulty of finding engravers for bonds and notes, — the rising tide of paper money would have soon closed the mints. Senator T. J. Semmes of Louisiana introduced a bill to authorize the coinage of copper token money in denominations of 1, 5, 10, and 25 cents to the amount of five millions of dollars. This bill passed the Senate on September 25, 1862, but was apparently never acted upon by the House.³ A year

¹ *Confed. Archives*: Statement of A. J. Guirot for week ending Apl. 20, 1861; Keifer, *Slavery & Four Years of War*, I, 160, note, quoting Townsend, *U. S.*, 427; Resol'n Mch. 9, 1861; *N. Y. Times*, Feb. 14, 1873 (quoting *Columbus Enquirer*); Mch. 23, 1879 (quoting *N. O. Picayune*, Mch. 16, 1879); Apl. 13, 1879 (quoting the same); Mch. 14, 1882; Nov. 2, 1883.

² Report U. S. Director of the Mint, Oct. 27, 1862, in *Finance Report for 1862*, p. 45.

³ *Confed. Archives*: *Senate Journal*, Sept. 2, 25, 1862; *Charleston Courier*, Sept. 29, 1862, Jan. 1, 1863.

later the Senate made a move in the same direction,¹ but nothing came of it.

The story of the attempts to make the treasury notes and other forms of paper currency a legal tender in payment of all debts, is a longer one. The advisability of taking such a step in the North was for the time settled within the first year of the war by the passage of the first Legal Tender Act on February 25, 1862. In the South the question of the constitutionality and expediency of such a measure was fiercely debated during the war; the Confederate Congress was deterred from passing a legal tender act by the arguments against the adoption of such a measure which were in vain urged by the few opponents to the Federal Act of 1862.

Early in the history of the Provisional Congress the legal tender question began to be agitated. In a long letter to Duncan F. Kenner, dated July 8, 1861,² E. J. Forstall says, "A plan is now agitating making Treasury notes a legal tender; this would be bankruptcy to begin with, the destruction of public and private credit, and all confidence between man and man." He adds a lengthy sketch of the history of paper money issues under the earlier Confederation, in France during the Revolution, and in the United States after the second war with England. These former experiences with paper money were constantly cited in the later discussions, and as well by friends as opponents of legal tender legislation. Among the opponents no stronger voice was raised than that of James D. Denègre, President of the Citizens' Bank of New Orleans, whose advice was always welcomed by the Treasury Department. Already on May 11, 1861, he had written to Secretary Memminger to urge that the Confederate notes be not made a legal tender in payment of all debts, a policy which he warned the administration would at once drive the banks into bankruptcy, unhinge credit, and wreck the government. "It would be worse than the evils of war, and would destroy our banks and demoralize the community."

¹ *Confed. Archives*: Sec'y Trenholm to Vice-Pres. Stephens, Dec. 19, 1864.

² *Confed. Archives*.

On July 21, 1861, he addressed a similar letter to Mr. Kenner. John P. Richardson of South Carolina expressed himself in similar terms to the Secretary of the Treasury on July 10, 1861, though he fully recognized the temptation to declare the government's notes a legal tender, as a means of helping it in the purchase of supplies. To him, however, the constitutional objection alone was sufficient to deter him from favoring making anything but gold and silver a legal tender.

There were others who favored declaring the notes a legal tender at the outset of the war as the best way out of its attendant financial difficulties. The arguments used have a familiar sound to one acquainted with the general history of legal tender legislation. So, for instance, in a letter to President Davis, dated July 10, 1861, William C. Smedes of Vicksburg urged the passage of a legal tender law which, he claimed, would alone save the merchants and planters from the capitalists of Europe and the North. A correspondent of Secretary Memminger, P. H. Skipwith of Louisiana, called attention to the clause in the Constitution empowering the Congress to make laws necessary and proper to carry into execution the power to declare war and support armies, and claimed, as later jurists in the North have done, that this authorized the passage of a legal tender law.¹

The matter was discussed in secret session by the Congress, the Committee on Finance being instructed on July 26, on motion of A. H. Garland of Arkansas, to inquire into the expediency and necessity of making the 20 millions of 2-year notes as well as the bonds of the Produce Loan, both authorized by the recent act of May 16, a legal tender during the war. The Mississippi legislature memorialized the Congress on August 2, urging the propriety of such a measure; but a week later the motion of James A. Seddon of Virginia was lost to amend the bill being framed to provide for 100 millions in notes, so as to make them a legal tender in payment of all debts to corporations or individuals.² The

¹ The above letters are found in the *Confederate Archives*.

² *Confed. Archives*: Secret Journal of Congress.

question did not come up again in the Provisional Congress, except that it was found necessary to require postmasters by an act of August 30 to accept Confederate notes in payment for postage stamps, when offered in sums of at least five dollars. This last qualification was removed by an act of December 23, 1861. It was about this time that a similar unwillingness on the part of postmasters to accept government notes showed itself in Pennsylvania, and led to stringent orders by the Federal Postmaster-General.¹

The urgency of legal tender legislation did not present itself to either the Federal or the Confederate Congress during 1861, when the magnitude of the war and of its attendant financial measures was still an unknown quantity. During 1861 the Confederate States floated their first and only successful loan. With its proceeds and with the issue of notes the government met its expenses and preserved its credit to a reasonable degree. By the end of the year the 15-million bonds were still selling in the neighborhood of par, while gold had risen to only 1.15 or 1.20 in currency. With the opening of the new campaign, early in 1862, conditions changed both in the North and the South. Government expenses grew enormously, and could not be met either by the sale of bonds or by the issue of notes without greatly depressing the government's credit. Under these circumstances it is not surprising to find both Congresses turning to legal tender provision as a possible means of raising the value of the notes and making them serviceable in carrying on the war. The question was discussed both in Washington and in Richmond. In Washington it was settled on February 25, 1862, by the passage of the first Legal Tender Act, authorizing the issue of 150 millions of treasury notes, receivable in payment of all debts, public and private, except import duties to and interest from the Federal government. The arguments that were effective in winning the majority of the Federal Congress to adopt such an unprecedented measure were the same that had been urged with

¹ *Merchants' Mag.*, XVI, 649 (Feb., 1862).

less success upon the Confederate authorities during the previous summer. The Constitution, it was held, gave the Congress the power to declare war and support armies; it also granted to the Congress the authority to enact all laws necessary and proper to carry that power into execution; hence the constitutional right to issue legal tender paper money was established. It was urged in both Congresses that the Constitution could not consistently grant to the government the power to wage war, and at the same time deprive it of the most efficient tool for the purpose, — one that had been so often used by other nations similarly situated.¹

The question of the constitutionality of a possible legal tender act came up for serious discussion in the Permanent Confederate Congress during its first session, February 18 to April 21, 1862.

On February 25, 1862, Joseph B. Heiskell, a Representative from Tennessee, offered a resolution in the House instructing the Judiciary Committee to inquire into the constitutionality of making treasury notes a legal tender. This committee consisted of L. J. Gartrell of Georgia, C. W. Russell of Virginia, E. L. Dargan of Alabama, J. W. Moore of Kentucky, A. H. Garland of Arkansas, J. B. Heiskell of Tennessee, P. W. Gray of Texas, T. S. Ashe of North Carolina, and J. P. Holcombe of Virginia. This committee considered the question, and when a legal tender bill, which had been offered in the House on March 14, was referred to them, they returned it to the House a fortnight later with a non-committal report.

Early in March, 1862, a bill to make treasury notes a legal tender was introduced in the Senate, and was referred to the Finance Committee, consisting of Senators R. R. Barnwell of South Carolina, R. M. T. Hunter of Virginia, George Davis of North Carolina, W. E. Simms of Kentucky, and G. A. Henry of Tennessee. This committee reported against the passage of the bill on March 13. On the following day

¹ *Congressional Globe*, 37th Cong., 2d Sess., pp. 523-5 (Jan. 28, 1862); p. 679 (Feb. 6, 1862); *N. Y. Times*, Jan. 27, 1862 (edit.).

Senator T. J. Semmes of Louisiana introduced a similar bill which was discussed in the Senate March 21-25, but no action was taken.

Chase
 The discussion by the Congress of the expediency and constitutionality of making the government notes a legal tender offered the Secretary of the Treasury an opportunity to go on record as opposing the policy. Secretary Memminger was asked to give his opinion upon the expediency of making treasury notes a legal tender in payment of debts, as Secretary Chase had been six weeks before. In answer to such an inquiry from L. J. Gartrell, Chairman of the Judiciary Committee of the House of Representatives, and himself an advocate of legal tender legislation, Secretary Memminger stated his position unequivocally in a letter dated March 13, 1862.¹ He summed up his reasons for opposing the passage of the legal tender law under three heads. First, he said, treasury notes were now accepted as currency everywhere, and at par with banknotes; they, therefore, needed no assistance to enable them to perform the functions of a legal tender. A law to compel their acceptance would at once arouse suspicion, shake public confidence, and depress the value of the notes. Secondly, a legal tender law could not prevent a depreciation of the notes; nor could it mitigate the harm done by such depreciation. Creditors would be unjustly treated by being required to accept less than they contracted to receive. The great body of sellers, the other class of people to whom the notes would be offered, would protect themselves by raising their prices, the more so because they would dread a further depreciation. Thirdly, if legal tender laws should lead to attempts to legally constrain the acceptance of the notes by penalties, past experience in Virginia during the Revolution and in France somewhat later pointed to the utter failure of such a policy. Mr. Memminger closed his letter by urging upon the Congress the necessity of increased taxation and the adoption of every means to promote confidence in the integrity and solvency of the Confederate government.

¹ Capers, *Memminger*, pp. 488-9.

"Extreme pressure may compel our government to adopt in the future extreme measures, but it seems to me that at present it is our best policy to avoid every possible shock to public credit."

This letter is in marked contrast with the letter written on January 29 by Secretary Chase, under similar circumstances, to Thaddeus Stevens, the chairman of the Ways and Means Committee of the Federal House of Representatives,¹ in which he offered his half-hearted support to the pending legal tender bill. Its enactment would, he claimed, prevent further discrimination against the United States notes by those individuals and banks that refused the government their cordial support, an *argumentum ad hominem* we shall become familiar with in the South. The responsibility for framing a legal tender law Mr. Chase gladly put upon the Congress, where, of course, it properly belonged.

The discussion of the legal tender bill in this first session of the First Permanent Congress aroused the newspapers to take sides for or against such a measure. Of the leading journals, the *Richmond Dispatch* and the *Charleston Courier* favored, and the *Charleston Mercury* opposed it. The former desired a legal tender act "as an accommodation to the loyal, and a check to the disloyal;" as a ready means of checking the refusal to accept Confederate notes, which refusal should be deemed *prima facie* evidence of "latent infidelity to the Southern cause,"² an echo of Secretary Chase's argument mentioned above. The *Charleston Mercury*³ questioned the policy, and foresaw disaster from pursuing it; further depreciation of the notes and industrial confusion were inevitable. Those that justified such a measure did so on the ground of its being distinctly a war measure. In the Congress, however, stricter views were held, and the chairman of the Judiciary Committee of the House reported, on April 8, that the committee was divided, five believing the legal tender bill to be unconstitutional, and four, constitutional.

¹ McPherson, *History of the Rebellion*, 358-9.

² *Richmond Dispatch*, Apr. 11, 1862; *Charleston Courier*, May 15, 1862.

³ *Charleston Mercury*, Apr. 10, 1862.

cf. Henry Adams: *History of the United States*, p. 322.

During the next session of the Congress a number of legal tender bills were introduced, but none of them came to a vote. Mr. Gartrell's, introduced on the first day of the session, August 18, 1862, was referred to the Judiciary Committee, which reported against it on September 20. Henry S. Foote of Tennessee attempted on October 6 and 8 to attach a legal tender proviso to two bills, but without success; and on the last day of the session, October 13, T. J. Foster, Representative from Alabama, offered a bill making treasury notes a legal tender, and declaring their refusal punishable with imprisonment and fine.

These were months of great military activity on the part of the Confederacy. After General McClellan's unsuccessful Peninsular campaign, General Lee had invaded Maryland, and General Bragg Kentucky. The government's expenses were enormously swelled. The issues of bonds and notes grew correspondingly; their value fell; gold, from being quoted at 1.20 in January, 1862, reached 3.00 by November. Under these circumstances it was natural to find some leaning to making the treasury notes a legal tender as a means of raising their value and carrying on the war. General Lee himself was influenced by such considerations, for, on withdrawing from Maryland, he wrote President Davis, urging a legal tender measure.¹ In the previous fall he had urged making the treasury notes a legal tender in certain districts where people showed an unwillingness to accept them, to which the Secretary of War replied that no such authority existed, but suggested that such people should be treated as enemies of the Confederacy, and be arrested.²

The constitutional objections were clearly in the people's mind. A correspondent of the *Richmond Whig*³ argued for the constitutional right to make treasury notes a legal tender on the basis of the right of the Congress to "coin money"

¹ Jones, *Diary*, I, 176.

² *Off'l Rec'ds Rebellion*, 1st S., XIX, pt. 2, p. 635; 4th S., II, 116 (Sept.-Oct., 1862).

³ *Richmond Whig*, Sept. 4, 1862; cf. also Duff Green, *Finance & Currency*, pp. 8, 20.

and "regulate the value thereof," an argument used in the North in discussing the same question,¹ but hardly taken seriously. This correspondent also fortified his position by quoting the definitions of monetary terms in Worcester's *Dictionary*. A correspondent of the *Richmond Enquirer*, August 26, 1862, urgently demanded the passage of a legal tender law, on the plea that the creditors to suffer will be chiefly "tories;" constitutional or not, such a law will hurt the right man. Of course, the correspondent had in mind only a war measure, to be discontinued on the establishment of peace. The *Richmond Whig* did not commit itself editorially to a policy of legal tender notes, though it held such a law constitutional,² the power to issue the notes in question not being expressly granted to the Congress, but being implied, like the power to issue bonds and notes in general. A few months later the paper changed its position somewhat.³ The editors claimed to have favored a legal tender policy at the outset, but that by adopting it now and applying the law to past contracts, the Constitution would be violated, — at least in spirit; and by applying the law to future transactions, two currencies, attended with inconvenience and danger, would be created.

During the third session of the First Permanent Congress, January 12 to May 1, 1863, the issue of legal tender notes was again fully discussed. On January 14 W. G. Swan of Tennessee introduced a bill in the House authorizing the issue of 250 millions of dollars in such notes in denominations as low as one dollar, to be accepted in payment of all debts. There was some talk of a constitutional amendment to legalize them during the war and five years thereafter,⁴ but, after long discussion in the House, the proposition to make the notes a legal tender was rejected in secret session.⁵

¹ Cf. 1 Nott & Huntington, 153-5. U. S. Court of Claims (Oct. term, 1864).

² *Richmond Whig*, Oct. 6, 1862 (edit.).

³ Quoted in *Charleston Courier*, Jan. 15, 1863.

⁴ *Richmond Enquirer*, Jan. 20, 1863.

⁵ *Charleston Courier*, Mch. 9, 1863.

The fourth session of the First Permanent Congress, December 7, 1863, to February 18, 1864, was largely given up to the hopeless task of bolstering up the value of Confederate treasury notes, which effort culminated, as we have seen,¹ in the passage of the famous Funding Act of February 17, 1864. Among the proposals made with a view to remedying the inflation of the currency and the incessant rise of prices, there were not lacking some that were based on the enactment of a legal tender law. Senator James Phelan of Missouri introduced such a bill on December 10, which called for the issue of 500 millions of dollars in bonds, their coupons, when due, to be a legal tender in the payment of all debts. On January 25 the Finance Committee reported against the bill, and it was tabled by the Senate on February 3. A similar fate awaited Senator Orr's bill of like tenor, and also his bill to declare exchequer notes a legal tender in payment of all debts. The latter was tabled by the Senate on February 9. Senator A. G. Brown of Mississippi also offered a resolution on December 10, 1863, to make Confederate treasury notes a legal tender; and, in urging its passage on December 24, repeated the familiar arguments: the measure

✓ might not be constitutional, but it was absolutely necessary as a war measure; the question before the Congress was one of expediency; moreover, there was no direct constitutional prohibition of such a legal tender law, except in so far as the State legislatures were concerned; the government had already made the notes a legal tender in dealings with the soldiers and its other creditors; the rest of the community deserved to be treated in the same way; and finally, a legal tender law would increase the value of the notes.²

✓ / The second Permanent Congress of the Confederate States, which was in session from May 2, 1864, till the end of the war, never, as far as the records at our command show, discussed the legal tender question. After the passage of the

¹ See pages 64 & ss.

² Compare Mr. Spaulding's arguments in the Federal House of Representatives, Jan. 28, 1862. *Congr. Globe*, 37th C., 2d Sess., pp. 523-5; also the *New York Times*, Jan. 27, 1862 (edit.).

famous Funding Act of February 17, 1864, no attempt was made to push any legal tender legislation. For a while the Congress relied upon its plan of compulsory funding and taxing of treasury notes to correct the currency evils; when this failed, the Congress evidently lost hope of successfully stemming the tide of inflation by legislation. Had a legal tender bill been passed, President Davis would surely have vetoed it. The only available record of his views on the subject is found in a letter to General Lee,¹ in which he deprecates making notes a legal tender, as they were to all intents and purposes a legal tender already, and payment of debts in anything else could not be enforced by the courts. The President never had an opportunity to sign or veto a legal tender bill. The question involved remained a subject for occasional newspaper controversy during the remainder of the war.

In view of the later discussions in connection with the legal tender decisions of the United States Supreme Court, it is interesting to note the arguments *pro* and *con* brought forward in the South while the constitutionality and expediency of a legal tender law were a mooted question. One prevalent view was that the people regarded treasury notes as money; that their being issued by the Confederate government constituted them "lawful money," and, therefore, a legal tender; that there was no need of declaring them so by Congressional enactment.²

The *Richmond Examiner* was a particularly strong advocate of a legal tender law, urging that, while the State legislatures were forbidden by the Constitution to do so, the Confederate Congress was morally and constitutionally bound to make treasury notes a legal tender. The government had driven out specie by its issue of notes; it was, therefore, in duty bound to keep the latter on a par with specie by mak-

¹ Jones, *Diary*, I, 176 (Oct. 28, 1862).

² Pamphlet *Our Currency*, quoted in the *N. C. Standard*, Oct. 27, 1863, also in a letter from A. Miller to Sec'y Memminger, dated Nov. 10, 1863, in the *Confederate Archives*.

ing them a legal tender. The editor claimed that "it is a standing reproach to the currency to allow a class in the country to stand aloof, sullen, and cast that imputation" — that the notes will depreciate — "on the faith of the government and the success of our most righteous cause."¹ This fling at the unpatriotic persons who showed an unwillingness to accept the notes at their face value in specie we shall hear more of in another connection.² E. A. Pollard, the editor of the *Richmond Examiner*, and a voluminous writer on the history of the Confederate States, strongly favored following the example of the Federal government in legal tender legislation. During the war he commended the action of the Federal Congress in this particular;³ and after the war he still claimed⁴ that the Confederate Congress should have acted likewise. In 1868 he still accused the Confederate government of having "produced an imitation of the Northern financial system, with the fatal exception that the Treasury notes were not made 'legal tenders.'"

The majority of the Confederate Congress, however, thought otherwise, and during the four years of the war prevented the passage of a legal tender law by that body. The arguments used against the adoption of such a measure were identical with those used by its opponents in the Federal Congress in January, 1862. Of the leading newspapers that voiced these feelings, the *Augusta Constitutionalist* took, perhaps, the strongest ground. It claimed that a legal tender law was wholly unwarranted by the Constitution, beside being a gigantic folly. It could not be carried out, and would do harm and no good. "Congress has been importuned to make Treasury notes a legal tender, but that body had more regard for the Constitution than Lincoln's Congress, and refused every time the bill was up, by overwhelming majorities."⁵ The *Richmond Sentinel* took similar

¹ *Richmond Examiner*, Nov. 14, 1863.

² See pages 101-2, 183 & ss., 162.

³ *Richmond Examiner*, Nov. 24, 1863 (edit.).

⁴ Pollard, *The Lost Cause Regained*, 28.

⁵ *Augusta, Ga., Daily Constitutionalist*, Nov. 25, 1863.

ground a few months later.¹ It claimed no evidence of the constitutionality of the proposed law had ever been offered, nor any proof of its ever having arrested the depreciation of notes. In the past, legal tender laws had been a failure. Witness the colonial legislation during the eighteenth century and the experience in France.

During the war the constitutionality of a law making government notes a legal tender in payment of all debts was never satisfactorily established either in the North or in the South. What result constitutional interpretation has reached since the war has no bearing on the question. During the war Mr. Pendleton's arguments in the Federal House of Representatives, January 30, 1862,² were never overturned. He held the legal tender bill to be an impairment of contracts; that the Congress could exercise only those powers specifically delegated to it in the Constitution; that the Constitution granted nowhere to the Congress the power to issue legal tender notes; in fact, that the delegation of such a power was intentionally and deliberately omitted from the Constitution of 1787.

These strict constructionist views, which were overborne in the North by the supposed necessities of the war, prevailed in the South, and prevented the adoption of a legal tender law. The traditional interpretation of the Constitution could not be so easily overcome in the South. This view-point was emphatically asserted in some of the changes in the Federal Constitution made at Montgomery in 1861, perhaps best in the adaptation of the familiar "general welfare clause." This in the Federal Constitution provides that the Congress shall have power "to lay and collect taxes, duties, imposts, and excises, to pay the debts, and provide for the common defence and general welfare of the United States."

This clause was changed in the Permanent Confederate Constitution, so as to read:³ —

¹ *Richmond Sentinel*, Jan. 4, 1864.

² *Congressional Globe*, 37th C., 2d Sess., p. 549.

³ *Confed. Perm. Const'n*, I, 8, 1; cf. *Confed. Provis'l Const'n*, I, 6, 1.

"The Congress shall have power to lay and collect taxes, duties, imposts, and excises, for revenue necessary to pay the debts, provide for the common defence, and carry on the government of the Confederate States."

It is to be noted that, beside omitting the phrase "general welfare," — it was also omitted in the preamble of both Confederate Constitutions, — the above wording once for all put at rest the controversy as to whether the taxing power and the power to provide for the common defence and carry on the government were granted in 1787 as two distinct powers, or whether, as the strict constructionists had held, the latter was merely a qualification of the former.

On the score of expediency, also, the Southern Congress wisely and consistently decided against the adoption of a legal tender policy. It is greatly to the credit of the Southern statesmen that, in the stress of the conflict, they were not, like the Northern Congress, swept into adopting this desperate financial policy, but insisted throughout the war upon both its unconstitutionality and futility. This credit due the Confederate Congress is somewhat dimmed by its having in other directions distinctly violated both the letter and the spirit of the Constitution. Thus the body which opposed a legal tender law, largely upon constitutional grounds, passed the Funding Act of February 17, 1864, and thereby authorized a partial repudiation of the Confederate debt. The unconstitutionality of such a measure was far more certain than that of a legal tender act, in that it violated a provision of the Confederate Constitution that "no law of Congress shall discharge any debt contracted before the passage of the same,"¹ which provision had been added to the corresponding clause in the United States Constitution. Moreover, from the standpoint of expediency, the same objections could be urged against the Funding Act that were urged against a legal tender law; and in favoring one and opposing the other the Confederate Congress were strangely inconsistent.

¹ *Confed. Perm. Const'n*, I, 8, 4.

However, from still another point of view, the persistent opposition to a legal tender law on the part of the Confederate Congress deserves notice. The State legislatures did not feel constrained by the Confederate Constitutions, and went to great lengths in passing legal tender laws. Among the memorials addressed to the Congress asking for the adoption of a legal tender law, several State legislatures appeared as petitioners.¹ But they went much further. Some States made the Confederate treasury notes tax receivable at their face value. So, for instance, Mississippi, by acts of August 6, 1861, and November 26, 1863, authorized its State treasurer, tax collectors, and sheriffs to accept Confederate notes at their face value in payment of public dues. Louisiana followed suit on January 23, 1862, and North Carolina a short time after,² both of these States making the notes receivable for both State and local taxes. In Louisiana a meeting of citizens at Houma, July 4, 1861, had decided that it was right and proper that the legislature should declare Confederate bonds a legal tender for any debts due the State,³ a position easily explained by the fact that the bonds of the Produce Loan of May 16, 1861, were finding their way into the hands of the Louisiana planters in exchange for their cotton advanced to the government.

In South Carolina it was at first proposed to enforce a penalty for refusing to accept Confederate notes, but it was toned down in the interest of the noteholders so as to require the tax collectors only to accept them without distinction.⁴

In the House of Representatives F. S. Lyon of the Alabama delegation offered a resolution on January 17, 1863, calling upon President Davis to induce the various State legislatures to enact laws making debts thereafter contracted payable in Confederate notes. Alabama had been among the first to carry out this plan, for by an act of December 10, 1861, the

¹ Cf. Miss. act Aug. 2, 1861; also Miss. resolution Dec. 9, 1863.

² N. C. ordinance Feb. 1862, no. 35, quoted in *N. C. Standard*, July 7, 1863.

³ *Houma, La., Ceres*, July 9, 1861.

⁴ *Charleston Courier*, Apl. 6, July 2, 1863.

State legislature had provided that a defendant in a judgment could force his creditor to accept an offer of payment in current banknotes, or in bonds or treasury notes of the Confederate States, and at their face value. The State of Georgia tried still other means to force the unwilling creditor to accept Confederate notes. The act of December 14, 1863, provided that, in addition to the usual taxpayer's oath, he must swear whether he had or had not refused any such notes in payment of any claim due him.

A few cases occur where legal tender bills were rejected by State legislatures or vetoed by the Governors. On November 24, 1862, a bill was introduced in the North Carolina Senate providing that when a debtor offered to pay his debts in current banknotes, State or Confederate treasury notes, and his offer was refused, interest upon his debt should cease. No action was apparently taken upon this bill; but a year later, on December 4, 1863, the North Carolina House of Representatives rejected a bill intended to make Confederate notes a legal tender. A similar bill was vetoed by Governor Brown of Georgia on December 15, on the ground that under the Confederate Constitution the States could make only gold and silver a legal tender; that on this account, and also because it impaired contracts, the bill was unconstitutional.

Though the Permanent Constitution omitted the prohibition to issue bills of credit, it forbade the States, as the United States Constitution does, to make anything but gold and silver a legal tender and to pass any law impairing the obligation of contracts.¹ This clause of the Constitution the State legislatures frequently violated, as in the above cases. Others may be added. So, for instance, the Mississippi act of November 29, 1861, aimed to facilitate the circulation of the State treasury notes, authorized early in that year, by making them tax receivable. Tennessee had gone much further,² and had made its three millions of dollars of treasury notes "receivable as currency," and had also made Con-

¹ *Confed. Perm. Const'n*, I, 10, 1; cf. *Confed. Prov. Const'n*, I, 8, 1.

² Appleton, *Annual Cyclopaedia for 1861*, p. 631.

federate treasury notes "bankable." Virginia followed suit on July 1, 1861, by providing that when any bank refused to receive on deposit, or in payment of debts due it, State treasury notes, the notes of such bank should cease to be received for taxes. In 1863 (October 14) the Virginia legislature went still further, and provided that every contract made on or after October 20 for payment of money should be deemed to be for the currency receivable in payment of debts to the State when the contract fell due, unless it contained special provisions to the contrary. The Arkansas legislature adopted a similar policy on November 18, 1861, by passing an "act to facilitate the circulation of the Arkansas war bonds and treasury notes," which provided that creditors who refused to accept them should have proceedings against their debtors stayed until two years after the close of the war. By an Alabama act of December 10, 1861, the suit of a creditor refusing Confederate or State notes was dismissed.

Such direct attempts at legislation to force the unwilling sellers and other creditors to accept payment in paper money were supplemented in various ways. Creditors were threatened with all manner of harsh treatment. The vigilance committee of Charlotte, North Carolina, resolved¹ to report the cases of persons depressing Confederate and State treasury notes by refusing them, and publish the names of the culprits. At a public meeting at Macon, Georgia,² the Mayor issued a proclamation warning such persons to desist or be arraigned "to answer for such offence — as the authorities may prefer against them." In Alabama a meeting of the citizens of Mobile County was called³ to form a society whose object should be, among other things, to discountenance those who refused Confederate notes. The most effective threat was always enrolment in the army. A citizen of Charlottesville, Virginia, was arrested⁴ for refusing to take Confederate notes in payment for some produce he

¹ *Charleston Courier*, Apl. 7, 1862.

² *Ibid.*, Aug. 8, 1862.

³ *Ibid.*, Sept. 22, 1863.

⁴ *Richmond Dispatch*, Sept. 12, 1862.

had sold. He offered to accept Virginia banknotes, — at the time perhaps at 20 % premium in currency, — but was arrested. We are told that the "Provost Marshal will dispose of the case as justice may seem to require." A Florida act of December 3, 1863, provided that any one refusing Confederate money who is exempt from military service, should be reported to the authorities, and immediately placed in service.

This Florida act aimed to make the threat more effective by prefixing a long preamble in which scathing epithets were applied to those who discredited the treasury notes. This practice of calling names was generally adopted by the newspapers, and a choice vocabulary of incisive terms was directed at the so-called unpatriotic and treasonable practice of those who, for selfish motives, were discrediting the government and injuring the cause of the South.¹ The feelings which prompted this practice were the same as those expressed toward all sellers in view of the enormous rise of prices, of which a full treatment will follow below.²

We have seen that the Confederate government steered clear of legal tender laws. This statement will call for qualification when the subject of army impressments is reached.³ Under them articles were bought for the armies' use, at prices fixed by the government, and were paid for in some form of government note.

The legal tender and quasi-legal tender laws enacted by the States had little effect, as little as the popular threats described above. Neither policy increased the currency of the notes to any appreciable extent. People either continued to refuse notes, and got on without them by reverting to barter; or, if they accepted them, it was not because of any law or threat, but because they could at once pass them on in some speculation. To be sure, the State laws stood on

¹ *Richmond Dispatch*, Apl. 8, June 4, 1862; *Charleston Courier*, May 11, 1864, quoting *Savannah News*; *Petersburgh Express*, May 20, 21, 1862.

² See pages 182 & ss.

³ See pages 202 & ss.

the side of the debtor's paying his debts in depreciated notes, and the courts, after the first two years of the war, were in most of the States closed to the creditor. But very few time loans could have been made in the South during the war; there was little occasion for contracts of long duration.

When the war was over, and the courts were again in active operation, some suits were brought to determine the rights of creditors to refuse Confederate notes during the war, most of them, however, to secure an equitable construction of the term "dollar" in contracts executed during the war and still unpaid. The *status* during the war of the Confederate and Southern States' governments added a puzzling element to the question.

In Arkansas a decision was rendered which declared all contracts based on Confederate notes void, in view of those notes having been issued by a rebellious government.¹ A Georgia court had already taken similar ground,² adding this amusing bit of loyal constitutional reasoning: the Confederate notes were not bills of credit (and therefore were not forbidden by the Constitution on that score), because they were not issued by a sovereign body. Other courts were similarly affected by a horror of recognizing the existence of the Confederate government, and held that the word "dollar" in contracts drawn in the South during the war could not be construed to mean Confederate currency.³

Such an extreme position was, however, rare. In a few cases where a debtor's offer of Confederate notes during the war was refused by the creditor and suits were instituted after the war, the court held that the notes were not a legal tender, and could properly be refused.⁴ In other cases of a similar kind the courts held that the validity of contracts within the Confederate States should be tested by the *de facto* governments then existing, and that contracts for the pay-

¹ 25 Ark. 574 (Dec. term, 1869).

² 35 Ga. 330 (Feb. 18, 1868).

³ See 24 Ark. 210 (Dec. term, 1866).

⁴ 35 Ga. 11, 37 Ga. 16 (Dec. terms, 1866, 1867).

ment of Confederate notes were enforceable;¹ moreover, that a person who refused to accept such notes in July, 1864, because of their depreciation, should have accepted them.²

In most cases, however, the courts cut the Gordian knot by upholding the ordinances passed in several States after the war to enable the parties to introduce evidence as to the character and value of the property or consideration at the time the contracts in question were made.³

The relatively small number of lawsuits that were based on the Confederate currency's affecting the creditor interests in contractual relations, and the divergence of the courts in dealing with them, would seem to indicate that long time contracts were seldom entered into during the war. All business involving them came to a standstill. After the first issue of bonds was floated during 1861, the further issues were largely paid for in produce, without the intervention of the currency. What treasury notes were in circulation, we shall see it was to the interest of the noteholder to pass on. The creditor class did not object seriously to accepting these notes, as they were a suitable tool in the speculation everybody was drawn into.

The large part of the creditor class that was interested in the currency as sellers of goods accommodated their prices to the conditions they found; they insured themselves against the uncertainties of the government's paper money policy by charging the buyers more, which practice a legal tender law would not have lessened, but rather strengthened.

The futility of legal tender legislation in correcting the evils of an inflated paper currency was clearly shown in the history of our country during the last century; and the story of the "Continental" notes and the French "*assignats*," so often repeated by the Southern newspapers, must have played its part in deterring the Confederate Congress, if not from

¹ 41 Ala. 423 (Jan. term, 1868).

² 19 Gratton, 331 (Va.), (Mch. 8, 1869).

³ 40 Ala. 525 (Jan. term, 1867); 12 Fla. 517; 34 Ga. 485 (June term, 1865); 35 Ga. 27, 112 (Dec. term, 1866). *Richmond Whig*, May 13, 1865.

issuing paper money, at least from declaring it a legal tender. On the other hand, it was these earlier examples in France and our country that the State legislatures copied unconsciously. Their attempts to prevent the discrimination between notes and specie, and to punish the outright refusal to accept notes, were mere repetitions of similar devices common during the American and the French Revolutions. Frightening persons into accepting government notes by calling them "enemies of the country," or threatening to publish their names, or to close the courts to them, were the old familiar attempts to win a circulation for a discredited note-issue,¹ recurring in the South during the Civil War, and, incidentally, a few years later in Japan.²

¹ Cf. Sumner, *Financier Am. Revolution*, I, 45-54; White, *Fiat Money in France* (*passim*).

² Soyeda, *Hist'y Banking Japan*, pp. 517-8 (in Dodsworth, *Hist'y Banking*, IV).

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CHAPTER VI

THE SOUTHERN DEBTORS

STATE STAY LAWS — THE SUSPENSION OF DEBTS — SOUTHERN INDEBTEDNESS TO THE NORTH, 1861 — CONFISCATION OF NORTHERN PROPERTY AND OF DEBTS DUE THE NORTH — FEDERAL CONFISCATION MEASURES — STATE CONFISCATION LAWS.

It is always difficult to distinguish between legal tender laws and those intended to help the debtors in distress. In making paper money a legal tender the motive of assisting the government in its efforts to meet its extraordinary expenses and the motive to relieve needy and clamorous debtors are seldom distinguishable. The two motives usually go hand in hand; the latter hiding its true nature behind the former, the patriotic motive to sustain the government.

How great that debtor interest was, it is impossible to state. As has been suggested, the war deranged business, and left little opportunity for long time indebtedness. The extent of the debtor interest based on transactions entered into before the war and during 1861, when business was still active, can only be surmised. Inferences, however, can be drawn from the stay laws and the sequestration laws passed during the war, the former affecting debts due to fellow Southerners, the latter affecting debts due to citizens of the North.

In the Confederate Congress, on August 9, 1861, James A. Seddon's motion was lost, making notes a legal tender, and providing that if they were refused by a creditor, a stay of collection by suit and execution should be granted until six months after peace.¹ No such stay law was passed by the

¹ *Confed. Archives: Secret Journal Confed. Congress.*

Congress, but legislation along those lines was left to the State legislatures, which willingly took the hint, and passed many measures to protect the debtor against the creditor.

The first debtors to receive attention were those who were serving in the army. Mississippi began the policy of relieving them from their obligations at home by enacting, on January 22, 1861, that it should be unlawful to prosecute any claim against a soldier, and enforced the law with heavy penalties. Arkansas followed suit, on May 23, 1861, by prohibiting the issue of writs of attachment against the property of any one enrolled in the army. Louisiana, on December 21, 1861, and Virginia a few months later,¹ freed all in the military service from legal proceedings. Such laws remind one of the action by the Continental Congress, on December 26, 1775, in recommending to the Colonial legislatures the passage of acts prohibiting the arrest of Continental soldiers for small debts, namely, for those under \$35, and prohibiting the attachment of soldiers' property for debts unless they amounted to \$150.

However excusable such leniency was to soldiers away from home and without the chance of profitable employment, the Southern States went much further in protecting the debtor. Early in the war the Virginia legislature provided, on April 30, 1861, that no execution should issue until otherwise enacted, except against non-residents or in favor of the State, presumably in the collection of taxes. During 1863 the matter was further discussed in the State legislature,² and on January 12, 1864, it was enacted that no process should issue under any judgment or decree rendered by any State court, nor be placed in the hands of a sheriff to be levied during the year 1864.

In South Carolina a similar bill was passed on December 21, 1861, though reported unfavorably by the legislative committee, and opposed on the floor of the State Senate as unnecessary and unconstitutional.³ As was to be expected,

¹ Virginia act Feb. 19, 1862; re-enacted Feb. 16, 1863.

² *Richmond Examiner*, Feb. 28, Sept. 30, 1863.

³ *Charleston Courier*, Dec. 23, 1861.

many shirked the payment of their debts under cover of this law; difficulty was found in collecting hotel bills and rent.¹ Says one newspaper:² "This act gives such unrestrained license to offenders against criminal and civil justice, that in the end it will be extremely difficult to restore order, harmony, and a due observance of the law."

In November, 1862, the Governor recommended the law's repeal, except so far as it applied to soldiers in the field. He saw no reason why at least those at home should not pay their debts.³ Notwithstanding his opposition and the evident effect of the law, it was from time to time continued in force till the end of the war.⁴ From one of these acts we are to infer that taxpayers were learning to avoid paying their taxes and hiding themselves behind the existing stay laws; for the act of December 17, 1863, provided that the collection of fines imposed by the Board of Road Commissioners for default in work on roads should not be affected.

In Mississippi a law of August 5, 1861, suspended the collection of debts until twelve months after the war, except in cases of liabilities of public officials or in cases then pending in court; nor did the law apply to future contracts. Subsequent laws on December 19, 1861, and of the following January 29, applied the same principle to the collection of judgments. About the same time Alabama, Florida, and Texas began to legislate on the matter, practically postponing the collection of debts till after the end of the war.⁵ Incidentally it is to be noted that the attempt to continue the law in Alabama in 1866 was frustrated by the State Supreme Court.⁶

The same fate had befallen a similar law in North Carolina. The act of May 11, 1861, providing that no execution

¹ *Charleston Courier*, Jan. 18, 31, 1862.

² *Raleigh Standard*, quoted in *Charleston Courier*, Jan. 31, 1862.

³ *Charleston Courier*, Nov. 27, 1862.

⁴ S. C. acts Feb. 6, Dec. 17, 1863, Dec. 23, 1864.

⁵ Ala. act Dec. 10, 1861; Fla. act Dec. 13, 1861; Tex. acts Dec. 7, 1861, Jan. 13, 1862, Dec. 2, 1863.

⁶ Ala. act Feb. 20, 1866; 40 Ala. 77.

should hold except in cases of debt in favor of the government, was at once held unconstitutional by the Supreme Court of the State at its June term.¹ The court did not discuss the expediency of the act. The act, it held, impaired the obligation of a contract in depriving the creditor of his vested right of enforcing payment of the debt due him, and was hence declared unconstitutional. As a result, it was soon repealed, on September 12, 1861, by the State legislature. That body in 1863, however, enacted a similar measure in spite of the court's decision.²

Arkansas passed a stay law on December 1, 1862. The State Supreme Court,³ a year or more later, held so much of the act unconstitutional as continued suits till the end of the war, being an impairment of the obligation of contracts.

Barring the set-back the stay laws received from the courts in North Carolina and Arkansas, they were very generally operative during the war. Some opposition was expressed to them as being both unconstitutional and unnecessary. Two leading newspapers, the *Charleston Courier* and the *Richmond Examiner*,⁴ voiced the feelings of a strong minority in opposing the prevalent policy of South Carolina and Virginia. The Richmond paper claimed that "the people were never more able to pay their debts than at the present time."

The Southern policy of relaxing the collection laws and treating the debtor leniently during the stress of the war finds its counterpart during all the "hard times" the debtors of our country have had to undergo since Colonial days. During successive periods of depression, especially about 1820 and after the crisis of 1837, it has been the custom to extend relief to the debtors by suspending sales on execution, and in general by postponing bankruptcy proceedings,⁵

¹ 8 N. C. 366; *Newbern Progress*, July 16, 1861.

² N. C. act Feb. 10, 1863; cf. Moore, *Hist'y N. C.*, II, 313.

³ 24 Ark. 91.

⁴ *Charleston Courier*, Jan. 28, 1862, cf. also Apl. 6, 1863; *Richmond Examiner*, Mch. 10, 1863.

⁵ Sumner, *Hist'y Banking U. S.*, pp. 121-2, 129, 149, 157, 162, 314, 370; Sumner, *Hist'y Am. Currency*, 81.

a policy whose constitutionality and expediency have been equally questionable, and one which not seldom has led to conflicts between the legislatures and the courts, and has generally aggravated the evils it aimed to correct.

The scanty records in the South do not furnish a sufficient basis for an estimate of the extent of the debtor interest during the Civil War. That it was as persistent and as effective in procuring desired legislation as under previous similar conditions is a fair inference from the adoption of the above number of stay laws.

✓ Another closely related question, the solution of which we can also reach by inference alone, is this: Did Southern indebtedness to the North add strength to the secession movement in 1860 and 1861? That it did, the following paragraphs would indicate; how much it added to the movement it would be rash to guess. The same questions are involved in the causes of the American Revolution, among which must certainly be enumerated the desire of the Americans to avoid the payment of their debts due to Englishmen; how weighty this motive was no one can say.

A full month before seceding from the Union, Georgia passed a stay law, in which it was provided that no levy of attachment should be allowed unless the claimant declared under oath that the defendant was about to remove from the South or any county; Mississippi and Alabama passed stay laws within a month after seceding,¹ and the Virginia Convention was putting difficulties in the way of Northern merchants collecting their debts in Richmond at the time the State seceded.² These may fairly be styled suspicious circumstances; but will be passed over as the necessary concomitants of the commercial collapse of those months, itself caused by the fear of secession.

We are very much in the dark as to the extent of Southern indebtedness to the North at the beginning of the war.

¹ Ga. act. Dec. 20, 1860, continued by act Mch. 9, 1865; cf. 34 Ga. 311; Miss. act Jan. 22, 1861; Ala. act Feb. 8, 1861.

² Jones, *Diary*, I, 28.

Some put the amount as high as 400 millions of dollars, and the debts in New Orleans alone at 30 millions. Others accepted the estimate of the *New York Tribune*, namely, 200 millions, made in September, 1861, when the various Confederate sequestration acts were already in operation, and had unduly magnified the importance of the Northern interests involved.¹ The most careful estimate at our disposal was made by the *United States Economist*.² The writer anticipated a general repudiation by the South of debts due the North. A large amount of such debts had been contracted in the spring of 1860, at a time of buoyant feeling; the general depression of the fall of that year had compelled the Northern creditors to frequently renew such loans, and they were still unpaid when hostilities broke out. At that time the *Economist* estimated the outstanding indebtedness of the South to the North at 40 millions of dollars, three-quarters of the usual amount in the spring of the year. New Orleans, Savannah, Mobile, and Charleston had bought only two-thirds the usual amount from Northerners in the fall of 1860; and during the following months, as the clouds gathered, credit was but sparingly given to Southern buyers. Unquestionably the Northern creditor was not caught napping, and had prepared himself for the storm more thoroughly than some of the above estimates, which seem exaggerated, would indicate.

We are led to suspect that this exaggeration was due to a misconception of the financial dependence of the South upon the North. The Southern indebtedness to the North for advances of capital, especially in the shape of manufactured articles, was but one item in its dependence upon that section; this was not strongly resented by the South, but rather accepted as inevitable in view of the impossibility of its supplying its own need of manufactured articles. The exigencies of the war fostered this feeling of resentment and a

¹ Pollard, *Davis*, 183-4, 209, 211, 213; Appleton, *Annual Cyclopedic for 1861*, p. 147; *N. Y. Tribune*, Sept. 18, 1861.

² Quoted in *New Orleans Price Current*, May 1, 1861; cf. *Richmond Dispatch*, Sept. 24, 1861.

desire for industrial independence,¹ a form of protectionism which every war in our country's history has bred. Before the war, however, this motive was still latent. The dependence upon the North which was more apparent, which avowedly constituted a grievance, and which played no small part in fomenting the desire for Southern independence, hinged upon the Northern banks, which played so necessary and important a part in moving the cotton crop. The same questions are involved in the present financial dependence of the agricultural sections of the West upon the commercial centres, especially in the East. The cotton of the South was moved by drafts upon New York and London. The Northern and English banks advanced the desired capital in the shape of currency to the Southern cotton factors and planters. The latter keenly felt this "abject banking dependence,"² and hoped to escape it when they seceded from the Union. It is noticeable that the distinctively cotton States were the first to secede, that all of them did so before President Lincoln's inauguration, and all of them, with the exception of South Carolina, — which had led the movement on December 20, 1860, — within twenty-three days thereafter. We shall see how the complementary notion of the industrial dependence of the North and Europe upon the South was fostered by the conditions the war brought about.

✓ To return to the indebtedness of the South to the North in 1860-1: It must have been these bankers' advances upon the cotton as it moved to the Northern and English markets which were the basis of the extravagant estimates cited above. Moreover, it is to be remembered that the Northern banks could not have suffered seriously by the repudiation of their claims upon Southern cotton men on the score of their advances, as they held sufficient collateral security in the cotton, which was practically consigned to them.

Even with the above qualifications, the debtor interest in

¹ See pages 248 & ss.

² *Merchants' Mag.*, XLII, 318, 321, 323 (Mch, 1860); cf. Kettel, *Southern Wealth*, ch. vii.

the South must have been of sufficient weight to be taken into account among the factors which led up to the formation of the Confederacy.

Some further light is thrown upon the subject by the sequestration laws of the Confederate Congress and the State legislatures. The day after President Lincoln's inauguration Secretary Memminger addressed a circular letter to the Federal civil officers still in the Confederate States,¹ ordering them to pay over to the Confederate Treasury any sums they held as due to the United States government, with which the Confederate authorities would arrange an accounting.

A later Confederate act of May 21, 1861, forbade any one to pay a debt due to an individual or a corporation in the United States, — except in Delaware, Maryland, Kentucky, Missouri, or the District of Columbia, — and authorized the payment of such debts in specie or treasury notes to the Confederate Treasury, in exchange for certificates bearing the same interest as the original contract; these certificates of the government being payable in specie or its equivalent at the end of the war.

An act of August 1, 1861, referred again to sums held in the South to the credit of the United States government, and provided that such amounts paid to the officers of the former Federal courts should be deposited with the Confederate Treasury, in exchange for 5 % bonds, the payment of principal and interest of which were made only by decree of the proper court. Similar provisions were made to cover moneys deposited in Confederate courts and left unclaimed during six months. On August 21 an act of minor importance called for the sale at auction of goods imported and still unclaimed at the custom-houses, in so far as such goods were too bulky to be stored.

On August 30, 1861, the Congress passed an extreme measure, which confiscated all property within the Confederate States belonging to alien enemies on May 21, and three weeks before the passage of the law enacting that citizens of

¹ *Confed. Archives*, Mch. 5, 1861.

the United States must depart or be treated as alien enemies, unless they became citizens of the Confederacy. The bonds of the Confederacy and of the several Southern States were exempt from confiscation; as well as the property of non-belligerent citizens and residents of the border States, whose adherence to the Southern cause was still thought possible. The proceeds from the sale of the confiscated property the government was to use to indemnify those Confederate citizens who brought claims for property confiscated by the Federal government, or, as was provided for by an amendment on February 15, 1862, to indemnify those who had in general suffered from acts of the Federal government.

The Confederate Congress was urged on June 26, 1861, by the *Vicksburg Evening Citizen* to adopt retaliatory measures for the Federal confiscation of Southern property; and Mr. Rhodes¹ avers that the Confederate Sequestration Act of August 30 was passed in retaliation for Federal confiscations. On the other hand, Mr. Blaine² states that the Southern policy became a precedent for later legislation in Washington. A comparison of the laws in question as to their character and the time of their enactment at both capitals will show that in a way both authorities are right, but that the laws framed in Richmond were much severer and more uncalled for than those framed in Washington. Their severity was largely, perhaps, due to exaggerated notions regarding possible wholesale Federal confiscation of Southern property, which were never realized.³

From the above enumeration of confiscation acts it is seen that up to August 1, 1861, the Confederate government had claimed all United States government funds within the Confederacy, but had also gone much further and aimed to stop the payment of all private debts due to Northerners and divert the payment into its treasury. Up to this time there had been no Federal legislation upon confiscation. On

¹ Rhodes, *Hist'y U. S.*, III, 464.

² Blaine, *Twenty Years of Congress*, I, 349.

³ Jones, *Diary*, I, 16 (Apr. 12, 1861).

August 6, 1861, the first step in that direction was taken by enacting that any property sold to be used in aid of the Confederacy should be confiscated. This reasonable war measure was followed ten days later by the President's proclamation declaring goods imported from the insurrectionary States, which he named, forfeited to the Federal government. Confederate vessels were given fifteen days to leave Northern ports. Under this act seizures of Southern vessels in New York and other Northern ports continued during 1861. In most cases Southerners were only part owners; the other owners, Northerners, usually bid in the vessels at the auctions.¹ The severe Confederate act of August 30, 1861, may have been passed in retaliation for previous Federal action, but it certainly went much further. In fact, Federal legislation confined itself to authorizing the confiscation of goods exported from the South,² the collection of abandoned and captured property, and the seizure of the property of the civil and military officers of the Confederacy and of the individual Southern States. The seizure of exported goods was a just war measure. The act of March 12, 1863, to collect abandoned and captured property in the insurrectionary States, and turn over the proceeds of its sale to the Treasury, sounded well on paper, but led to endless complications after the war, the United States Court of Claims dealing for years with the problem of establishing what property had been subject to capture, and listening to the claims of loyalty to the Union on the part of owners of confiscated cotton, who had been residents of the South during the war. Quite similarly, when that court was called upon to indemnify Northerners for the loss of property confiscated by the Confederate government, it was found that, at the outbreak of hostilities, Northerners had tried to save their property in the South from confiscation by fictitious sales of it to Southern friends.³

¹ *Merchants' Mag.*, XLV, 526 (Nov., 1861).

² U. S. act, Mch. 8, 1863; Proclamation, Apl. 2, 1863.

³ 5 Ct. of Cl. R., 588 (Dec. term, 1869).

The Federal act of July 17, 1862, went farthest of any Northern confiscation act. It authorized the President to seize all the property of Confederate army and navy officers, of the civil officers of the Confederacy and of the individual Southern States, and of abettors of the rebellion in the North; moreover, it freed slaves that reached the Federal lines. However severe, the Federal policy was distinctly more justifiable as a war measure than the attempt of the Confederacy at wholesale and indiscriminate confiscation of Northern claims upon the merchants of the South.

Judge A. G. Magrath of the Confederate District Court for South Carolina, formerly a judge of the United States Circuit Court, held that the power to wage war involved the power to confiscate property, and declared the Confederate Sequestration Act of August 30, 1861, constitutional.¹ There had been considerable opposition in South Carolina to a policy of sequestration, J. L. Pettigru, a Charleston lawyer, bitterly opposing it as a barbarous and useless measure.² He with others brought suit to test the validity of the act, and, in arguing the case before the court, he emphasized the inquisitorial and unusual powers granted to the government which demanded a disclosure of private debt relations. Mr. Pettigru's position was that of a typical strict constructionist. He held that Congress had only those powers which were positively delegated to that body. These did not include the power to confiscate the property of enemies. Since the Revolution only the individual States could exercise that power. This line of argument was followed up by Mr. Pettigru's associate counsel, Nelson Mitchell, who tried to prove that the policy of confiscating enemies' property had been discarded by the United States in accepting the treaty of 1794 with England, both parties to which agreed to refrain from the practice in case of war.³ Two years later, in 1796,

¹ Moore, *Rebellion Record*, III. 243-4; *Charleston Courier*, Oct. 21-5, 1861 (arguments), Nov. 9, 1861 (full text of decision).

² Pollard, *Davis*, 184.

³ Art. X; the treaties with Bolivia, 1858 (art. XXIX), Paraguay, 1859 (art.

Justice Wilson of the United States Supreme Court had held¹ that "by every nation, whatever is its form of government, the confiscation of debts has long been considered disreputable." Another associate counsel claimed that the Confederate Sequestration Act was not justified as a retaliation for a similar Federal measure, because the Northern act was aimed solely at contraband of war and at articles used to aid the war.

The representative of the Attorney-General and his assistants who argued in favor of the constitutionality of the act, necessarily departed from the familiar Southern strict construction view of the Constitution, and anticipated the position to which the United States Supreme Court was driven in upholding some years later the issue of legal tender paper money. The right to confiscate enemies' property was a sovereign right; "having, then, on this subject, Sovereignty, with all its attributes, the provisional [Confederate] Government stands on the same footing with France, Russia, or Great Britain, in reference to the exercise of the power granted." The right to confiscate must be granted; the exercise of that right they held to be a question of expediency and policy to be determined by the Congress, not by the President or by the courts. These arguments were the very ones that prevailed with the Federal Supreme Court in 1871 and 1884, and led the majority of the Justices to uphold the constitutionality of legal tender acts as a proper exercise of the sovereign powers of the National government, by shifting upon the Congress the determination of whether the measures were expedient or not.²

The Confederate court, in upholding the Confiscation Act, and thereby tacitly accepting the above interpretation of the sovereignty of the central government, violated the traditions of constitutional interpretation upon which the Southern Confederacy rested, and offered one of the many illustrations of

XIII), Salvador, 1870 (art. XXVII), Peru, 1887 (art. XXVIII), contain similar provisions.

¹ 3 Dallas, 281.

² 12 Wall. 556 (J. Bradley); 110 U. S. 438, 450 (J. Gray).

✓ the fact that, under the pressure of war, the cherished States Rights doctrine was thrown to the winds. The hopeless opposition to the growing power of the centralized government at Richmond was apparent in the arguments before Judge Magrath. The government's attorney regretted the issue of unconstitutionality. During a war against such odds there was no time, he held, to speak of the government's "usurpation," its "tyranny," "oppression," "injustice," "inquisition." This was the time to forego such epithets and the discussions they aroused, and to uphold the hands of the Richmond authorities. On the other hand, the attorney for one of the defendants deplored the use of arguments that construed any attack upon an unconstitutional measure as an attack upon the government. "If the central agency in such a constitutional Government could acquire powers not previously possessed through the excesses or usurpation of their enemies, then the halls of legislation would furnish them the means of an attack as fatal as it would be secure."

✓ Whatever the constitutional objections to confiscating the property of enemies, they are slight compared with the objections on the score of the impolicy and injustice of such measures. It does not speak well for the statesmanship of either the North or the South, that both sections tried to lay hands on each other's private property; but it is especially a blot on the history of the Confederate government that it extended its confiscating policy so as to include the just debts due from its citizens to those of the North.

In former centuries the mutual confiscation by enemies of debts due to each other's citizens was a common practice. So, for instance, in the wars of the seventeenth century Frenchmen confiscated Dutch goods; the Dutchmen retaliated by ordering debts due to Frenchmen paid to the Dutch government; the Danes pursued a similar policy toward Englishmen and Swedes; and Dutchmen toward Spaniards.¹ During the Napoleonic wars the practice was revived. France confis-

¹ C. van Bykershoek, *Quæstiones Juris Publici*, Lib. I, c. VII.

cated debts due to Englishmen: England retaliated in 1794 by confiscating those due to Frenchmen.¹ Since those disturbed times, the practice has very properly become discredited, and its reappearance during the Civil War is nothing to be proud of in our country's history. Even in the second century B. C., the personal property of the Rhodians, confiscated by their enemies, the Syrians, was restored to its owners on the establishment of peace.²

There was some agitation for minor amendments to the Confederate confiscation measures. A convention of cotton merchants and planters held at Macon on October 15, 1861, desired that, before turning over the Northern claims upon Southern debtors to the Confederate treasury, the damage done those debtors by acts of the Federal government should be set off; it also favored the act of August 30 taking effect from the time of its passage, not, as the law required, from May 21. Two years later it was proposed in the South Carolina legislature to sequester the notes of South Carolina banks, in view of their all being avowedly in the hands of the enemy,³ but nothing apparently came of the proposal.

In the Confederate House of Representatives E. Barksdale of Mississippi proposed an amendment, on November 9, 1864, aimed, as the similar Federal law was, at confiscating the property abandoned by persons who had gone over to the enemy. He claimed that such property did not come under the provisions of the original act, as the Attorney-General had decided that its owners were not "aliens." A few months later such a bill was passed and became a law on February 3, 1865. It provided that any one leaving the Confederacy without the permission of the President or the General in command west of the Mississippi, should be treated as an alien and have his property confiscated. This

¹ 1 Phillimore, *Internat'l Law*, 70; 34 Geo. III, ch. 9, 79; cf. 6 Maule & Selwyn, 92 Ct. of K'g's Bench, Feb. 6, 1817 (the Danish sequestration in 1807 of debts due to Englishmen).

² Polybius, *History* (Schweighäuser ed., 1823), III, 492-3.

³ *Charleston Courier*, Nov. 30, 1863; *Richmond Examiner*, Dec. 4, 1863.

recalls the sequestration of the property of the *émigrés* during the French Revolution.

✓ The evidence is conclusive that the Confederate courts made every effort to carry out the provisions of the confiscation acts. During 1861 the District Courts, especially the one of Judge Magrath, were busily engaged with cases arising under these acts.¹ The results were meagre compared with the exaggerated notions of the immense sum of indebtedness that would be transferred from Northern creditors to the Confederate government. In point of fact, the Southern debtor preferred to continue his debt relation to the North, as long as there was no chance of his being forced to pay; there was little to induce him to wipe out his indebtedness to the North, as the law bade him, by paying its amount into the Confederate Treasury. We are to infer from a bill introduced in the Senate by R. W. Barnwell on November 14, 1864,² that some debtors did buy Confederate bonds and remit them to the North in payment of their debts, but the practice must have been rare.

In the reports of the Secretary of the Treasury the first mention of any revenue from confiscation occurs in the period January 1 to September 30, 1863. During that year and during the first nine months of 1864, — after which reliable figures are wanting, — the total revenue from that source foots up to \$6,102,070.39, equivalent to perhaps \$380,000 in gold at the time of collection. The policy was financially a failure, and the small sum it netted to the government no doubt represents the small amount of tangible and largely immovable property of Northerners that easily fell within its grasp.

The individual States, as usual, followed the practice established by the Confederate Congress, and passed laws to prevent the collection of debts due the North. Alabama echoed the Confederate Confiscation Act of August 30 on

¹ *Charleston Courier*, Aug. 12, 1862; Rhodes, *Hist'y U. S.*, III, 465; 3 *Fed. Cases*, 976; 14 *ibid.*, 357; 19 *ibid.*, 217; 22 *ibid.*, 21.

² *Richmond Examiner*, Nov. 15, 1864.

December 10, 1861, by enacting that no suits to recover debts due an alien enemy on or before May 21 should be allowed. Similarly in Georgia a law had been passed earlier,¹ forbidding the payment of debts due to governments or individuals in the North, and inviting Southern debtors to deposit the amounts of their debts in the State treasury in exchange for 7 % certificates. Under this act the suit of a New York firm to collect on a note due from a firm in Georgia was dismissed by the court.² A similar act was passed in Tennessee,³ but the usual result followed: debtors did not pay their debts, and the State treasury was not benefited. A Florida act of December 17, 1861, forbade a judgment for debt due an alien; in Arkansas, by an act of May 6, 1861, such debts were confiscated, as well as the personal property of such persons. In the same State it was enacted, on May 28, 1861, that all moneys of the United States government seized for the use of the State should be held in trust for the payment of claims of Arkansas citizens against the Washington authorities.

Another similar line of State legislation had reference to the payment of the interest upon State bonds. Virginia, whose debt was largest, was the first to prevent the Northern bondholder from obtaining his interest. A law of June 26, 1861, stopped the redemption of the coupons held in the North, perhaps one-third of all outstanding. On July 1 Tennessee followed suit by providing that interest payment should cease on bonds held in non-slaveholding States. The coupons of a Tennessee railroad falling due on the same date were honored only if the bondholders presented certificates from the State Comptroller stating that payment could lawfully be made, of which the legislature was the sole judge. Evidently only resident bondholders were to receive payment. Similarly, the Bank of Louisiana declared its dividend payable on August 1, 1861, only to resident stockholders.⁴

¹ Proclamation Governor of Ga., Apl. 26, 1861, Appleton, *Ann. Cyclopedia for 1861*, 340; *Off'l Rec'ds Rebellion*, 4th S., I, 245-6.

² 33 Ga. 89 (Aug. term, 1861).

³ Appleton, *Ann. Cyclopedia for 1861*, 684.

⁴ *Merchants' Mag.*, XVI, 235 (Sept., 1861).

Enough has been said to indicate the part confiscation measures played in the war policy of the South. As had been done in the Revolutionary War, the attempt was made to add to the public funds the property of the disaffected and of alien enemies, as far as it could be discovered. In neither case was the financial result very considerable. Moreover in both cases did the attempt at political separation go hand in hand with a wholesale repudiation of debts due to aliens, the burden of which had been a factor in leading to that separation.

The suggestive attitude of the *Richmond Enquirer*¹ after the Virginia banks had suspended specie payments in November, 1860, throws light on the matter. The editor approves of the suspension in order to prevent specie being drawn off to the North. He writes:—

“It must be remembered, that there are grave political as well as purely financial and commercial reasons operating at present to forbid the propriety of permitting an entire transfer of Southern specie to the vaults of the Northern banks.”

In February, 1860, a similar feeling was evidenced in Mississippi. A majority report of a legislative committee recommended that the question of the State's assuming the liability for payment of the repudiated Planters' Bank bonds be not opened in view of the aspect of political affairs. The minority of the committee held that the threatened separation from the North offered the best reason for the State's strengthening her credit by assuming those bonds.²

It should not be inferred from this that all debtors in the South welcomed the political upheaval as a means of escaping their obligations to the North; nor did they all take advantage of the opportunity offered of avoiding the payment of their debts. The New Orleans merchants and bankers formed an honorable exception to the general practice, and

¹ Quoted in the *Bankers' Mag.*, XV, 485 (Dec., 1860).

² *Bankers' Mag.*, XIV, 862, 866, May, 1860. The history of these repudiated bonds is given in Sumner, *Hist'y Banking U. S.*, 381 & ss.

were true to the high standards for which that city's financial and commercial institutions have long been famous. Hugh McCulloch, Secretary of the United States Treasury, gives strong testimony to the high-minded action of the New Orleans banks toward their Northern correspondents at the outbreak of the Civil War.¹

¹ McCulloch, *Men & Measures*, 138; cf. *Merchants' Mag.*, XLIV, 413 (Apr., 1861).

CHAPTER VII

THE SOUTHERN BANKS DURING THE WAR

THE BANKS DURING 1860 AND 1861 — SUSPENSION OF SPECIE PAYMENTS — BANKNOTE INFLATION AND ISSUE OF SMALL BANKNOTES — THE BANKING BUSINESS DURING THE WAR — COTTON BANKS AND BANK PROJECTS — THE BANKS' ATTITUDE TOWARD TREASURY NOTES — THE SUSPENSION OF THE NEW ORLEANS BANKS — BANK LOANS TO THE GOVERNMENT — THE BANKS' SPECIE SUPPLY — THE GOVERNMENT'S SPECIE SUPPLY.

THE New Orleans banks embodied the best banking traditions of the South. Before the war they had been carefully managed, had weathered the crisis of 1857 without a general suspension of specie payments; and after President Lincoln's election, when commercial credit collapsed and the banks throughout the country generally suspended, the New Orleans banks continued to meet their obligations in specie. During the winter of 1860-1, when secession was no longer a threat but had become an actuality, they wisely shortened sail for the coming storm by curtailing their loans and increasing their specie reserve. The successive bank statements bring this out clearly. After the middle of 1860 the New Orleans banks, as usual, enlarged their assets by buying short commercial paper and cotton drafts; but immediately after the election of November 6, the bank loans fell off rapidly, though the banks continued to buy drafts on cotton till March, 1861. This contraction of loans was naturally accompanied by a contraction of the banknotes outstanding, which continued throughout 1861, barring an increase of circulation during the first four months of the year. In general, the New Orleans banks prepared themselves for the coming storm by converting as many as possible of

their cash assets into specie. On October 6, 1860, 26 % of their total assets were in cash; on December 29 the percentage had risen to 35 %, and on the following April 6, to 43 %. This was a notable achievement, comparable to the preparations made by the New York banks in the winter of 1860-1 for the outbreak of hostilities. Between October 6 and April 6 the latter doubled their specie reserves, and did not expand but rather diminished their loans, deposits, and circulation.

THE NEW ORLEANS BANKS, 1860-1861

In Millions of Dollars

	1860							
	Sep. 1	Oct. 6	Nov. 3	Dec. 1	Dec. 8	Dec. 15	Dec. 22	Dec. 29
Notes	9.2	8.7	8.3	7.2	6.9	6.4	6.2	6.2
Deposits	13.8	14.1	15.4	14.7	15.1	15.6	15.9	17.0
Short Loans	22.0	24.7	24.4	21.5	20.2	19.4	18.7	18.1
Exchange	1.4	2.1	4.2	5.4	5.8	5.7	5.7	6.1
Specie	9.9	9.8	10.0	10.6	11.0	11.9	12.7	13.7
Distant Balances	1.1	0.8	0.9	0.9	0.8	0.7	0.8	0.9
	1861							
	Jan. 5	Jan. 12	Jan. 19	Jan. 26	Feb. 2	Mch. 2	Apl. 6	
Notes	6.2	6.4	6.7	7.0	7.4	7.9	8.8	
Deposits	17.4	18.3	17.7	18.4	19.3	21.1	20.6	
Short Loans	17.2	16.8	16.3	16.0	15.8	14.6	14.1	
Exchange	7.0	7.0	7.4	9.0	8.6	10.5	7.3	
Specie	14.2	15.6	15.7	16.3	16.4	17.6	17.1	
Distant Balances	1.3	1.2	1.5	1.3	. .	. .	. .	
<i>Merchants' Mag.</i> , XLIII, 466-7; XLIV, 89, 336; also <i>New Orleans Price Current</i> .								

THE SOUTH CAROLINA BANKS, 1860-1861

In Millions of Dollars

	1860		1861						
	Oct.	Nov.	Jan.	Feb. 1	Feb. 14	Mch.	Apl.	June	Aug.
Notes	6.4	6.4	6.9	7.	7.	7.6	7.3	6.1	5.8
Deposits	3.5	3.5	3.6	4.3	4.3	4.5	5.4	5.4	4.5
Loans	12.7	12.7	12.3	12.2	12.2	11.9	11.8	11.8	11.8
Domestic Exchange .	10.3	10.6	9.3	8.5	6.4			4.7	4.6
Specie	1.4	1.4	1.4	1.4	1.4	1.3	1.5	1.6	1.3
<i>Bankers' Mag., XV., 752 (Mch., 1861); Charleston Mercury, Nov. 10, 1860, Feb. 14, Apl. 11, May 11, July 13, Sept. 14, 1861; Merchants' Mag., XLIV, 337 (Oct., 1860); Charleston Courier, Sept. 16, 1861.</i>									

The banks of South Carolina adopted a policy in marked contrast with that of the Louisiana banks. From the time that secession seemed inevitable to the outbreak of hostilities they increased their deposits and circulation, and but slightly reduced their loans. At the same time they did not materially increase their specie reserve. The divergent policies pursued by the Louisiana and South Carolina banks is further emphasized by the fact that the former continued specie payment seven months after the establishment of the Confederate government, while the latter suspended a month before the South Carolina secession ordinance was passed.

Of the condition of the banks in the other Southern States we have less detailed information. In general, banks in the South had grown more rapidly than in the North during the three years preceding the Civil War, partly because the South had escaped the worst effects of the crisis of 1857. The year 1860 had been a prosperous one, and the Southern crops had been large. However, aside from Virginia, there was no unusual speculation during that year. The banks

were uniformly reducing their loans, and the banknote issues were contracting toward the fall of the year; the specie reserves were fairly constant, and, in the case of the Louisiana banks, as we have seen, they were markedly increased. At the time of President Lincoln's election the Southern banks, representing 20 % of the total banking capital of the country, held 25 millions of dollars, or 28 % of the banks' specie; or, if we include with the Southern banks those in the border States Tennessee, Kentucky, and Missouri, 39 % of the banks' specie in the country was held by them, though they represented but 22 % of the country's banking capital.¹ This was no inconsiderable element of strength to the Southern cause, but one that was not fully taken advantage of.

After the election of President Lincoln, and especially after South Carolina had taken the lead in seceding from the Union on November 20, 1860, the Southern banks suspended specie payments, the New Orleans banks holding back until September 16, 1861. With a large specie reserve at their command, equal to nearly one-half of their note circulation, there was no urgent financial reason for suspension in the late fall of 1860. Secretary Memminger declared, some months later,² that the general suspension of the banks was a political, not a financial measure, was intended for the public good, and was not due to the pressure of speculation. This is a familiar excuse given for suspending specie payments in anticipation of financial difficulties or of a war, the avowed motive being to harbor the specie reserves. In the case before us, an interesting commentary upon the expediency of the policy is offered by the fact that the New Orleans banks, while holding half the specie reserves of the South, withstood the pressure to suspend, continued specie payments, and were the only Southern banks that materially strengthened their reserves. ✓

The Virginia banks were the first to suspend. During the fifties a very large number of banks had been chartered in

¹ *New Orleans Price Current*, Nov. 21, 1860; *N. Y. Courier and Enquirer*, Nov. 9, 1860; *Finance Rep't*, 1861, Tables 35-6; *Bankers' Mag.*, XV, 417 (Dec., 1860).

² Memminger's circular, Mch. 27, 1861, *Charleston Courier*, Apl. 1, 1861.

that State, and many branches had been authorized. The provisions for the issue of banknotes were invariably liberal. These were taken advantage of by the bankers, who played a part in the speculative era of which the *ante-bellum* State debt of Virginia and its recent checkered history is a reminder. On November 20 and 21, 1860, the Virginia banks suspended, in company with the New York banks. On the following March 1 the legislature legalized the suspension, and a year later extended it for another twelve months. Of course they never resumed during the war.

The banks of Georgia also were quick to suspend before the end of November. By an act of November 30, 1860, passed over the Governor's veto, the legislature legalized the suspension for a year, and by later acts¹ extended it during the continuance of the war. The suspension was first legalized in view of the embarrassing state of things and of the probable suspension of banks in neighboring States.

The North Carolina banks followed those of Virginia, and suspended specie payments in November, the legislature legalizing their action on the 24th, adding the proviso, however, that they should not curtail the aggregate amount of their discounts. Seven months later a State ordinance was passed which postponed resumption till the State repaid a loan of three millions of dollars made to it by the banks. This connection between the suspension of the banks and lending some of their capital—in this case three-quarters—to the State, is noticeable.

The Alabama banks did not wait for the action of the legislature, but acted upon the request of the Governor to suspend specie payments and hold their coin for any possible emergency of the State, and suspended on December 17, 1860.² Some banks in Mobile and one in Huntsville did not act upon this recommendation.³ This suspension was legalized by the State legislature on February 2, 1861; but a provision for a

¹ Ga. acts Nov. 30, 1861; Nov. 29, 1862; Dec. 1, 1863; Mch. 9, 1865.

² *Dubose, Yancey*, 554; *Off'l Rec'ds Rebellion*, 4th S., I, 31-2.

³ *Bankers' Mag.*, XV, 584 (Jan., 1861); *Newbern Progress*, July 30, 1861.

quid pro quo was added. The suspending banks were required to subscribe to specified amounts of State bonds, to be paid for in coin if the government required. On December 9, 1861, the suspension was legally continued till one year after the establishment of peace, provided, however, that the banks accepted Confederate treasury notes at par and limited their rate of discount to 8%. Moreover, the suspending banks were compelled to lend the State \$2,000,000 with which to pay the State's quota of the war tax of August 16, 1861, each bank to contribute to this loan in proportion to its capital. Evidently the privilege of suspending was one the banks were willing to pay for.

This practice of buying immunity from the claims of the note-holder by doing the State government a favor was a repetition on a large scale of a similar agreement entered into by banks with the State of Alabama during the next preceding commercial crisis. For on December 19, 1857, the suspension of two Alabama banks had been legalized on condition that they paid into the State treasury \$250,000 within three months.¹ But the practice is not peculiar to the South or to the United States. We need only recall the suspension of specie payments in the history of the great national banks of Europe and its connection with bank loans to the respective governments. A close parallel to the Alabama case mentioned above occurred in Italy in 1866, when by royal decree the national banks suspended; but in return loaned the government 250 millions of *lira* at 1½%; or rather, the government granted the bank the privilege of issuing irredeemable notes in return for the generous loan.²

The South Carolina banks suspended on November 28 and 29, 1860. The State Convention legalized this action on December 29. At that time gold was already at 4% premium in Charleston. A difficulty arose from the fact that the Federal law called for payment of customs duties in gold. To relieve the importers, who were in a quandary, a resolution

¹ Sumner, *Hist'y Banking U. S.*, 434.

² M. Grunwald, *Finanz-Archiv*, XI, 85 (1894).

was introduced in the Convention, authorizing the collectors in the State to accept South Carolina banknotes in payment of duties.¹ No action was taken, however. The suspension of the banks was extended by successive acts,² the last one providing that the privilege to suspend should be forfeited by any bank which declared or paid dividends in gold or silver coin, or one that sold its specie to any one except the State or Confederate governments.

The much less important banks of Mississippi and Florida presumably suspended specie payments before the end of 1860. Later State legislation legalized their action during the continuance of the war,³ in the case of Florida for the avowed purpose of relieving the community and affording a safe, adequate, and reliable currency.

The suspension of the New Orleans banks is a story by itself, best told in connection with the relation between the Confederate government and the banks and its attempts to force them to accept treasury notes.

At the outbreak of hostilities all the banks in the South except those in New Orleans and some in Mobile had suspended specie payments. This general movement was accompanied, as so generally has been the case in banking history, by an increase in the banks' business, primarily by an enlargement of their note issues.

In Virginia many bank charters about to expire in 1861 were renewed for twenty years, and some banks increased their capital. In Alabama during the last weeks of 1861 four banks were chartered; one of them, a savings bank, was authorized to deposit Confederate or State bonds with the State Comptroller as a basis for the issue of twice that amount of circulating notes, in denominations as low as one dollar. About the same time, on November 18, 1861, Arkansas repealed all acts prohibiting the circulation of banknotes of any denominations; the same act, however, legislated

¹ *Charleston Courier*, Dec. 31, 1860.

² S. C. acts Dec. 21, 1861; Dec. 17, 1863.

³ Miss. act Jan. 17, 1862; Fla. act Dec. 14, 1861.

against "shinplasters" and other irresponsible currency that was being issued by individuals and corporations. Georgia followed suit on November 30, by authorizing the suspended banks to issue small notes in denominations of between five and fifty cents in amount up to 3 % of their capital — increased to 10 % on November 29, 1862 ; — the act, moreover, required the banks to keep one-third of this amount in circulation. Later acts¹ allowed one bank to issue notes up to three times the amount of its capital, and granted the privilege of note issue to a savings bank.

Louisiana withstood the demands for small banknotes, and in March, 1861, forbade the issue of banknotes in denominations less than ten dollars, and in amount exceeding three quarters of the paid in capital.²

The neighboring State of Mississippi followed the majority of the Southern States in legalizing banknote expansion, and authorized issues in denominations as low as one dollar and in amount equal to the banks' capital, this privilege to cease one year after the end of the war, and in the mean time to be partly paid for by the banks accepting State treasury notes. In return, the banknotes were made tax receivable.³

In North Carolina banknote extension was less marked. By an ordinance of the State Convention on June 28, 1861, the banks were allowed to issue notes in denominations of less than five dollars, but were forbidden to enlarge the aggregate amount of their issues. In return for the privilege of issuing small notes, heretofore forbidden, they were required to lend the State \$3,000,000 for one year at 6 %, being allowed to postpone the resumption of specie payments till the loan was repaid. While the banks incorporated at the beginning of the war were allowed to issue notes up to twice the amount of their capital, at least one bank incorporated during the

¹ Ga. acts Dec. 13, 1862 ; Oct. 17, 1863.

² Ann. Rep't New Orleans Banks for Jan., 1861, in *Bankers' Mag.*, XV, 750 (Mch., 1861); Appleton's *Ann. Cyclopedia for 1861*, p. 431; La. act Jan. 20, 1862.

³ Miss. acts Dec. 16, 1861, & Jan. 17, 1862.

war was forbidden to issue them until the re-establishment of peace.¹

In South Carolina the banks apparently at first avoided the issue of small notes; but the distress resulting from the fire in Charleston in the fall of 1861, and, a year later, the recommendation of the Governor — who urged an extension of note issues in view of its profitableness to the bank of South Carolina, and therefore to the State, a part owner of that institution — led to a general increase of small banknotes in denominations even below one dollar.²

In Virginia banknote inflation appeared early during the war. Already in April, 1861, the State Convention authorized the banks to issue one and two dollar notes in amount up to 5 % of the banks' capital, just as had been done during the suspension of 1841.³ The banks, legally relieved of the responsibility of paying their obligations, needed no urging to supply the community with irredeemable paper money. But even the above authorization was deemed insufficient, and nine months later a law was passed compelling the banks of the State to issue small notes in the above amount. Even this measure did not satisfy the growing demand for small change, and a few months later the banks were authorized to issue notes in denominations between one and five dollars and in amount up to 10 % of their capital. Moreover, after ninety days, each bank was compelled to pay out all sums of less than five dollars, and to redeem all its notes of that denomination, either in specie — which was of course out of the question — or in the bank's own notes of small denominations, provided it had not already small notes outstanding to the extent of 10 % of its capital.⁴ It is evident from this that, however willing the banks were to inflate the currency, the general public — that is, the body of buyers — was still

¹ N. C. acts Feb. 25, 1861, & Dec. 17, 1862.

² *Charleston Courier*, Aug. 24, Nov. 27, 1862; Feb. 19, 1863; S. C. acts Dec. 21, 1861, Feb. 6, 1863.

³ Va. Ordinance, Apl. 26, 1861; Sumner, *Hist'y Banking U. S.*, 364.

⁴ Va. act Jan. 24, Mch. 29, May 16, 1862; *Richmond Dispatch*, Apl. 15, 1862. Cf. *Charleston Courier*, Nov. 26, 1861, Apl. 7, 1862.

more anxious for a banknote redundancy, which would to their minds relieve the difficulty of rising prices.

With the meagre data at our disposal we do not know to what extent the Southern banks met this demand for more currency by enlarging their note issue. In the case of North Carolina we have the means of establishing that increase; or at least the fact that there certainly was such an increase.¹ By inference from the above list of laws we may, moreover, fairly conclude that in all the Southern States there was a considerable banknote inflation, akin to the enormous issues of individual, corporate, municipal, and State notes to which reference will be made below.² But the banknote inflation by no means kept pace with the overwhelming issues of Confederate treasury notes, evidenced by the fact that banknotes after the first year of the war were invariably quoted at a premium in Confederate notes; that is, their depreciation as expressed in gold was much less rapid than that of the government notes. During 1862 the gold dollar rose in value in government notes from 1.20 to nearly 3; at the same time banknotes rose from par to only about 1.25. By the end of 1863 a gold dollar was selling for \$20 in government notes, and for only about \$3.25 in banknotes. During 1864 the price in banknotes never rose much higher than that figure, while in government notes it rose to fabulous heights. It should be added, however, that banknotes were not all quoted alike, but varied considerably according to the State they hailed from and the place where they were quoted.

In Virginia the authorities made a faint-hearted attempt to compel the banks to reduce their redundant note issues. The savings banks, which had followed the example of the other banks in issuing notes, were the first attacked. As a result, the Virginia Savings Bank gave notice, in December, 1861, that it would discontinue the issue and circulation of

¹ *N. C. Convention, 1865 (Exec. Doc's), Rep't Pub. Treas'r; Finance Rep't, 1861, p. 282.*

² See pages 149 & ss.

small notes, and called in those outstanding. The other savings banks followed suit in the spring of 1862.¹

In the fall of 1863 a further attempt was made to suppress the circulation of banknotes in Virginia. In the House of Delegates a resolution was passed to inquire into the expediency of authorizing the banks of the State to redeem their notes in Confederate currency and compelling holders of banknotes to present them for redemption within a limited time. The State Senate took up the same matter some time later, but apparently nothing came of it.² In fact, it is clear that with banknotes quoted at a large premium in Confederate notes, the holders of banknotes could not have urged the passage of a law to compel the banks to redeem their notes at par in a much less valuable currency.

Toward the end of the war some Virginia banks redeemed their outstanding notes in gold, but of course only at a fraction of their face value. So, for instance, during the last months of 1864 the Merchants' Bank of Lynchburg and the Bank of Commerce of Fredericksburg were offering to redeem their notes, five for one in coin;³ and during the last months of the war the Bank of Virginia and the Farmers' Bank offered redemption at six for one.⁴ It is difficult to understand the motives of the banks in pursuing this policy, unless they wished thereby to escape the danger of having their stock of specie confiscated by the government, — a real danger, as is proved by the passage of the last desperate loan act of the Confederate Congress on March 17, 1865, providing for a forced loan of one-quarter of all the specie in the country.

The Southern banks did an active business during the war. We hear of none winding up their affairs, and, on the other hand, we find dividends paid with great regularity on bank stock until the close of hostilities, or, strictly speaking, as long as we have any records of the Southern money market,

¹ *Richmond Dispatch*, Dec. 7, 1861, May 5 & 7, 1862.

² *Richmond Examiner*, Sept. 26, Dec. 11, 1863.

³ *Ibid.*, Nov. 15, Dec. 23, 1864.

⁴ *Richmond Enquirer*, Mch. 10 & 15, 1865; *Richmond Dispatch*, Mch. 24, 1865; *N. Y. Herald*, Mch. 20, 1865 (Washington despatch).

namely, till January, 1865. These regular dividends, — usually on the basis of from 6 to 10 % per annum, — as well as the frequent extra dividends, were paid in Confederate notes, and sometimes partly in notes and partly in coin.¹

Presumably the banks carried on a profitable business, not chiefly by making the usual advances to their clients nor by buying and selling drafts, — which line of ordinary business was suppressed by the war. This inference is borne out by the fact that the North Carolina banks at the end of the war were still carrying no inconsiderable amount of uncanceled commercial paper discounted before the State seceded, and that their loans made during the war were largely still unpaid. The amount of these two items was surpassed by their holdings in government bonds and treasury notes.² The banks evidently found more opportunity to speculate in government funds than to buy commercial paper. Extensive speculation characterized all the commercial life of the South during this period of excessive inflation and violent price fluctuation. The above inference is strengthened by the fact that the savings banks were less able to enter upon such speculative business, and were therefore less profitable. We saw that the Virginia savings banks withdrew their note issues. At least three of them³ wound up their affairs, and called upon depositors to withdraw their deposits.

The nature of the speculation the banks were drawn into is indicated by the proposed cotton banks, many of which were actually established. During the winter of 1861–2 many such schemes were discussed. So, for instance, a bank was proposed with a capital of 10 millions of dollars, all to be invested in Confederate bonds; an equal amount of circulating notes were to be issued on the security of the bonds,

¹ The figures are culled from the files of the *Richmond Dispatch*, the *Richmond Examiner*, the *Charleston Courier*, the *Charleston Mercury*, the *New Orleans Price Current*, and the *Newbern Progress*; also from the *N. C. Convention, 1865 (Exec. Doc's), Rep't Pub. Treas'r.*

² *N. C. Convention, 1865 (Exec. Doc's), Rep't Pub. Treas'r.*

³ *Richmond Dispatch*, Mch. 21 & 25, Apl. 17, 1862; *Richmond Examiner*, Aug. 8, 1863.

and were to be countersigned by the government, that is, presumably guaranteed by it. The bank was to lend the notes to planters at 4 %, on the security of their cotton, which the bank was then to transfer to the government under the provisions of the produce loan, receiving bonds for it. On the security of these bonds the bank was to issue more notes and repeat the circle *ad infinitum*.¹ This was indeed an ingenious method of supplying the needs of the cotton planters for a circulating medium and of opening to the bank a wide opportunity for speculation. The planters were sorely in need of help. They had no market for their cotton; at least they could only dispose of it at ruinously low prices. It was least affected of all commodities by the redundancy of the currency, and, expressed in gold, its price was after the middle of 1861 continuously below the 1860 level. Under the circumstances we naturally find the planters founding banking institutions to supply themselves with a means of disposing of their cotton. The Georgia legislature incorporated such a cotton planters' bank on December 14, 1861, with a capital of 30 millions of dollars, to be subscribed for in cotton at 6 cents a pound—not much below its market price at the time—or in State or Confederate bonds. The bank was authorized to issue notes, to be irredeemable while the general suspension lasted, and eventually to be redeemed out of the proceeds of the sale of the cotton to be exported when the blockade was broken. The amount of the notes was at first fixed by the amount of the capital, but on December 13, 1862, it was raised to three times that amount. The preamble of the original act naively states its object to be: “to give steadiness to the value of cotton, to make it available as a basis of a sound circulating medium for the relief of the industrial interests of the country . . . to guard the planters against unavoidable necessitous sale of their cotton at less than remunerating prices.”

A similar plan was proposed in Mississippi, and was followed by a law incorporating banks at Jackson and elsewhere

¹ Correspondent in *Richmond Whig*, Nov. 27, 1861.

on almost the same lines just indicated. The aggregate capital to be subscribed for in cotton exceeded \$5,000,000. Some of these banks were actually organized.¹

In South Carolina the act of December 21, 1861, provided for such a cotton bank in every Congressional district. Planters were to subscribe at least a thousand bales to form one of these Cotton Planters' Loan Associations. On the security of this cotton they were authorized to issue five-dollar and larger notes at the rate of \$6 for every hundred pounds of short, and \$15 of long cotton; these notes to be tax receivable, and redeemable in specie six months after the raising of the blockade. At least one such association was formed, for its charter was extended on December 23, 1864.

There was some talk in the South during the war of adopting a system of banking on the lines indicated by the Federal National Banks. The motive was, as in the North, a double one: to offer inducements to bankers to invest in Confederate bonds and thereby improve their standing, and also to furnish a more reliable currency than the government treasury notes supplied, though the second motive played a minor part. A system of free banking was proposed,² in which the banks should be authorized to issue notes up to the amount of half their capital, securing redemption by depositing with the proper authorities State or Confederate bonds. In case of failure on the part of any bank to redeem its notes in specie, the government should sell its bonds and redeem the notes with the proceeds. Similar proposals were made elsewhere.³ However, nothing ever came of them, for it must have been clear that the government's declining credit was not a possible foundation for the erection of a national banking system. The 8% bonds of the 15-million loan act of February 28, 1861, fell from the neighborhood of 90 in gold, where they stood early in 1862, to 65 by the middle

¹ *Vicksburg Evening Citizen*, Nov. 26, 1861; *Miss. acts* Jan. 17, 1862, amended Aug. 8, 1864.

² *Richmond Whig*, Feb. 19, 1862 (corresp.).

³ *Richmond Examiner*, Oct. 10, 1862; *Charleston Courier*, Oct. 15, 1862; *Richmond Enquirer*, Jan. 16, 1864.

and 40 by the end of that year. In 1863 they fell to one-tenth of their face value, and by the end of 1864 to one-twentieth and even less. Under these circumstances it was folly to expect these bonds, and others that fared much worse, to sustain a banknote issue or be bolstered up by the banks' demand for them.

Another factor that must have worked against the establishment of a national banking system was the very general feeling that any improvement in the banknote currency would necessarily react upon the treasury notes and depress them still further. Just as in the North, so in the South was the feeling strong against the banks controlling the currency. Some advocated suppressing the banking system, and deplored the dangerous dependence of the government upon it. Others advised rejecting banknotes and accepting only treasury notes, — a useless bit of advice as long as the former circulated at a large premium as compared with the latter. The usual popular jealousy of the banks cropped out. These were borrowing from the public the resources the government was in such need of; the treasury notes should displace the banknotes and reap the advantage.¹

Beside the proposals for a centralized banking system on the basis of bond deposits, others were made, generally with a view to controlling the note issues within the Confederacy. Soon after the Treasury Department was organized, a correspondent suggested the incorporation of a bank on the plan of the Bank of England.² Thirteen States were to subscribe one million dollars each; another million was to be supplied by private subscription. On the basis of these fourteen millions it was hoped to circulate from twenty-five to forty millions of dollars of notes. Another correspondent of

¹ Cf. *N. Y. Herald*, Jan. 20, 1862 (edit.); *Richmond Examiner*, Nov. 9, 1861; *Charleston Courier*, Apl. 7, 1862 (corresp.); Langdon Cheves in *Richmond Dispatch*, Sept. 9, 1863. However, a letter in the *Richmond Whig*, Dec. 20, 1861, holds that banknotes are a better currency than treasury notes, and bankers better financiers than legislatures.

² *Confed. Archives*: Wm. Murdock to the Secretary of the Treasury, Apl. 18, 1861.

the Treasury Department advised the formation of a Confederate Bank with a capital of 50 millions, and a note circulation of three times that amount.¹ A still more extensive project was suggested in 1862; namely, a treaty with a foreign power, on the basis of which one-quarter of the face value of the outstanding treasury notes was to be placed at the disposal of the Confederate government in specie — presumably about \$75,000,000 — by a foreign government, which in return was to be given the monopoly of note issue to the extent of four times that amount, the Confederate government to receive annually one-tenth of the value of the issue in payment of the privilege.² Of course this plan was never carried out; but we do hear of the South Carolina legislature's incorporating a bank in December, 1864, to which French citizens were to subscribe the capital of 52 millions of francs. Its notes were to be based on coin and made payable in Paris, and in Charleston with drafts on Paris.³ The chief aim of the bank was evidently to speculate in cotton.

The Confederate treasury notes were not made a legal tender, as we have seen. The attitude of the banks toward them was, therefore, of the greatest importance. Their refusal to accept the notes on deposit would have impaired their standing as a circulating medium. The Virginia legislature soon passed an act — on July 1, 1861, — to compel banks to receive them. This act was unnecessary, for during July and the following months various bank conventions were held at Richmond, Atlanta, and Charleston,⁴ where successful steps were taken to induce the banks of those centres to accept the government notes on deposit and in payment of dues to the banks. The Savannah banks followed suit in September,⁵ agreeing, moreover, not to make any collections

¹ *Confed. Archives*: W. Yerger to W. P. Harris, July 14, 1861.

² *Confed. Archives*: B. Melchior to G. W. Lee, Treasurer of the C. S., Sept. 22, 1862.

³ *Charleston Courier*, Jan. 11, 1865.

⁴ *DeBow's Rev.*, XXXI, 100 (July, 1861); *Charleston Courier*, July 25, 29, Sept. 6, 7, 16, 1861.

⁵ *Charleston Courier*, Sept. 18, 1861.

for their customers unless they were willing to accept such notes in payment.

Elsewhere in Georgia and in some of the other Southern States the banks must have shown some unwillingness to accept treasury notes across their counter, for in Georgia and in Mississippi acts were passed to compel the banks to do so;¹ while in North Carolina the State Convention resolved to investigate whether the banks were refusing the treasury notes of the State, and if so, to repeal the act legalizing the suspension of specie payments.²

The banks that had suspended before the outbreak of hostilities found it an easy matter, and not detrimental to their interests, to accept the treasury notes and help to give them a ready circulation; at least the leading ones put no obstacles in the way. But the New Orleans banks, by persistently maintaining specie payments during the first eight months of 1861, embarrassed the paper money policy of the Confederacy. They could not suspend specie payments and accept treasury notes without forfeiting their charter,³ and they did not find it impossible or disadvantageous to continue solvent while the other banks of the South had suspended, repeating their experience of 1842.⁴

Finally, in September, 1861, Secretary Memminger wrote to the Governor of Louisiana,⁵ begging him to co-operate in persuading the New Orleans banks to suspend, so that they might be able to accept treasury notes and give them currency in that city. He enclosed similar letters to the Directors and Presidents of the banks. This position of the Secretary in urging the banks to suspend in order to facilitate the circulation of the government notes recalls the similar predicament of the United States Secretary of the Treasury in 1815,

¹ Ga. acts Nov. 30, 1861, Nov. 29, 1862; Miss. act Dec. 19, 1861, quoted in Appleton, *Ann. Cyclopaedia for* 1861, p. 476.

² *Newbern Progress*, Feb. 5, 1862.

³ *Ibid.*, July 30, 1861.

⁴ Sumner, *Hist'y Banking U. S.*, 387.

⁵ *Confed. Archives*: Sec'y Memminger to Gov. Moore, Sept. 11, 1861.

when the New England banks were the only ones to maintain specie payments.¹

The Governor of Louisiana let himself be persuaded by Mr. Memminger, who was anxious to sustain the 100 millions of notes recently authorized by the Congress. He issued a proclamation recommending that the banks be authorized to suspend, avowedly in order to be able to offer accommodation to the planting interests, but actually to enable them to accept treasury notes, evidenced by the proviso he added, namely, that the banks should not issue their notes in excess of the amount of specie they held.² The New Orleans banks at once acted upon the Governor's recommendation on September 16, 1861,³ suspended, and, as a result, Confederate notes became the circulating medium there. Presumably the Mobile banks that had held out with those of New Orleans suspended at the same time. The change in the policy of the New Orleans banks is well indicated by the fact that by the end of the year they held more than 9 millions of dollars in treasury notes.⁴

We have seen how the Southern banks supplied the government with the specie called for by the first loan of February 28, 1861.⁵ Their action at the time was praiseworthy, and the help they gave the Confederate finances very considerable. In another way the banks brought timely assistance to the government, by making temporary advances to it, to be repaid with treasury notes as soon as these could be prepared. This plan was first broached at the bank conventions held in June and July, 1861, and at once acted upon,⁶ especially by the banks of Georgia and South Carolina,

¹ Sumner, *Hist'y Banking U. S.*, 66.

² *Charleston Courier*, Sept. 23-4, 1861.

³ *Confed. Archives*: Denègre to Memminger, Dec. 28, 1861; *Charleston Courier*, Sept. 26, 1861; *Bankers' Mag.*, XVI, 316 (Oct., 1861); XVI, 393 (Nov., 1861).

⁴ *Charleston Mercury*, Jan. 7, 1862.

⁵ See pages 7 & ss.

⁶ *Confed. Archives*: Letters of Memminger, June 12, 25, 1861; *Bankers' Mag.*, XVI, 71 (July, 1861).

which advanced their notes to the amount of nearly 10 millions of dollars at 5 % in anticipation of the issue of treasury notes. The latter could not be prepared fast enough to meet the growing requisitions upon the Treasury.¹ The return of the loan was authorized by an act of December 19, 1861. In the mean time the printing-presses had caught up with the demand for the paper money, and an offer of the Charleston banks of a further temporary loan could be declined.² Similar temporary advances were made by the banks to the State governments, as, for instance, nearly half a million to North Carolina.³

The cases of Alabama and North Carolina banks paying for the privilege of suspending by loaning the State a given amount⁴ have already been cited. A similar case occurred in Virginia, where the banks had refused, in January, 1861, to supply the State government with sufficient specie to meet the next interest charge upon Virginia bonds. As a means of coercion, the act legalizing suspension, a few months later, made it conditional upon the banks redeeming such an amount of their banknotes in specie as should be necessary to pay that interest. This redemption was to be made by the banks in proportion to their respective capital. In June there was substituted for this provision one calling for a loan by the banks to the government of one-fifth of their capital.⁵

✓ The banks in the Confederate States must have held in the neighborhood of 25 millions of dollars in specie when hostilities broke out, or nearly 26 millions if we include the Tennessee banks.⁶ Of this amount the Louisiana banks held more than half, to which they added during the first months of the war, notwithstanding their being the only banks to

¹ Rep't Sec'y Treasury, Nov. 20, 1861.

² *Charleston Courier*, Sept. 7, 1861.

³ *N. C. Convention*, 1865 (*Exec. Doc's*), *Rep't Pub. Treas'r.*

⁴ See pages 128-9.

⁵ Message Gov. Va., Jan., 1861, in Appleton, *Ann. Cyclopedic for 1861*, p. 68, & in *Bankers' Mag.*, XV, 749 (Mch., 1861); Va. acts, Mch. 1, June 24, 28, 1861.

⁶ *Finance Report*, 1861, Table 37, p. 282; *Bankers' Mag.*, XVI (June, 1861); Day, *Down South*, II, 207.

remain solvent. Apparently the specie for the 15-million loan came largely from the banks of the other centres, which, it will be remembered, offered to redeem their notes in coin for that purpose. After suspending in September, 1861, the New Orleans banks continued to hold a large specie reserve until the capture of the city by the Federal forces. When New Orleans fell in April, 1862, the banks transferred their specie to within the Confederate lines, and deposited a part of it in the Confederate Treasury, the government giving them treasury notes in exchange or offering to return the specie six months after the establishment of peace with 8% interest. Little choice was given the bank by this arrangement, for under orders of the Secretary of War, General Beauregard in May seized half a million dollars in coin belonging to the Canal Bank and deposited at Jackson, Alabama, and in the following October he similarly seized for the use of the government over two and a half millions of dollars deposited by the Bank of Louisiana in Columbus, Georgia.¹ The latter amount figures as a "bank loan" in the financial reports of the government. In addition, \$1,653,200 were seized under a warrant of impressment issued by the Secretary of War on May 18, 1864, from various New Orleans banks,² which amount figures in this case more correctly in the treasury reports as "coin seized."

The New Orleans banks were caught between two fires, for General Butler forbade them to issue the Confederate notes they received in exchange for their specie. We are to infer that they increased their own issue of banknotes to correspond.³

The Confederate government, in seizing the banks' specie, followed the example of the State of Louisiana's seizing the United States Mint and Sub-Treasury at New Orleans on

¹ *Confed. Archives: Off'l Rec'ds Rebellion*, 4th S., I, 1130-1, 1147-53; II, 236: Sec'y Memminger to Vice-Pres. Stephens, Jan. 16, 1863, Sec'y of War to Gen. Beauregard, Oct. 14, 1862, F. H. Hatch to the same, May 18, 1862, A. W. Rice to the same, Oct. 30, 1862; Butler, *Autobiography*, 391.

² *Confed. Archives*: Sec'y Trenholm to Pres. Davis, Jan. 10, 1865.

³ *Charleston Mercury*, June 18, 1862.

February 2, 1861. The State obtained from the former \$389,267.46, and from the latter an accumulation of customs revenue to the amount of \$147,519.66. A State ordinance of March 4, 1861, transferred these \$536,787 to the Confederate Treasury, the Congress ten days later accepting with thanks the funds "so generously tendered." That part of the amount obtained from the Federal Mint figured as the "bullion fund" among the miscellaneous items of Confederate government revenue. The other States transferred a much smaller sum, less than \$75,000, to the Confederate government as a result of their raids upon United States funds within their borders.¹

It will never be known just how much specie flowed into the government treasury during the war. On February 3, 1862, an act was passed appropriating \$2,000,000 for the purpose of obtaining some specie, which at the time was at 20% premium or more; and during the last days of the Confederacy a desperate attempt was made to borrow coin. However large the amount obtained by borrowing, taxing, or impressing, almost all of it must have been sent abroad to the Confederate agents to enable them to make the desired purchases of ships and munitions of war. From the nature of the case, we find little trace of these shipments of coin.²

✓ At the evacuation of Richmond, the Confederate Treasury held half a million dollars in specie; during the previous weeks its specie had been greatly reduced. When the government departments were disbanded, this amount was carried southward under guard through the Carolinas into Georgia, and was used in paying the soldiers. With it was also taken some gold belonging to the Richmond banks, — about \$230,000, — which was deposited in a bank in Washington, Georgia, after substituting more cumbrous silver for the gold. The coin is said to have been returned to its owners.³

¹ Appleton, *Ann. Cyclopedia for 1862*, p. 262.

² Cf. Jones, *Diary*, I, 351 (June 16, 1863); II, 11 (Aug. 12, 1863).

³ *N. Y. Times*, Jan. 6, 1882 (5-1), statement of W. Philbrook, Chief Teller

We gather that the banks, notwithstanding the high-handed acts of the government in seizing their specie, preserved a fair amount of their gold and silver. We have, however, no means of stating the amount, except in the case of the North Carolina banks, which at the restoration of peace in 1865 are reported to have held \$561,505.36 in coin, as compared with a million or over at the beginning of the war.¹ The amount saved from the general wreck in 1865 was, however, insufficient to insure the banks' continued existence, except in the rarest cases.

C. S.; Jones, *Diary*, II, 423, 431 (Feb. 16, 23, 1865); W. H. Parker in *Richmond Dispatch*, July 16, 1893, quoted in *So. Historical Papers*, XXI, 304 (1893); *ibid.*, IX, 542, 545 (1881); *N. Y. Eve. Post*, May 28, 1892, quoting *Atlanta Constitution*; Knox, *Hist'y Banking*, 534-5.

¹ *N. C. Convention*, 1865, *Rep't Pub. Treas'r (Exec. Doc's); Finance Rep't*, 1861, p. 282; Knox, *Hist'y Banking*, 557-60, 582.

CHAPTER VIII

THE CONFEDERATE CURRENCY

THE ALLEGED SCARCITY OF CURRENCY—FIAT MONEY NOTIONS—STATE, MUNICIPAL, AND LOCAL TREASURY NOTES—CORPORATIONS' NOTES—PERSONAL BILLS OF CREDIT—MOVEMENT TO SUPPRESS "SHINPLASTERS"—COUNTERFEITS—FEDERAL "GREENBACKS"—MOVEMENT TO PREVENT THEIR CIRCULATION—POSTAGE STAMP CURRENCY—RESORT TO BARTER.

FEW if any periods in history can offer examples of an inflated currency as conspicuous and many-sided as the years of the Confederacy. Nowhere else can be studied to better advantage the work of those forces which an over-issue of irredeemable paper money sets in motion as well as the monetary notions and philosophy it engenders.

The first of these notions to be considered—familiar to any student of monetary history—is the alleged scarcity of currency. Notwithstanding the prodigious over-issue of treasury notes and considerable increase in banknotes, complaints of the scarcity of currency and demands for more are persistently heard from the beginning to the end of the war. A few examples of this deep-rooted conviction may not be amiss.

In May and June, 1861, we begin to hear that the circulating medium is scarce in New Orleans, that "money is not to be had," and of the consequent distress arising from employers being unable to pay their employees.¹ Similar complaints are made in later years, and are sometimes coupled

¹ *Confed. Archives*: Denègre to Secr'y Memminger, May 26, 1861; Russell, *Pictures of Southern Life*, 87; *Charleston Courier*, June 18, 1861.

with an attack upon the "unpatriotic" practice of hoarding notes and thereby making them scarce.¹

The Funding Act of February 17, 1864, framed to forcibly reduce the redundant currency, was, when enacted and in operation, blamed for producing a scarcity. Many complained of suffering for want of money, — to be sure, not a complaint peculiar to this time and place, — and of a stringency in the money market, all of which could be remedied by having the Treasury Department "put out more money."²

Another phase of this feeling that the government was to blame for the scarcity of currency was that the latter reacted on the government's interests in making it difficult to subscribe to public loans as well as to pay taxes,³ the implication being that the government should issue more notes, so that the people could buy bonds and pay taxes with them.

This persistent demand for more paper money at a time when it was excessively redundant was the natural result of the inflation of prices, which drove the price of all the leading commodities except cotton and tobacco far higher than that of gold, as will be shown more fully in the next chapter. With the price level, especially of general articles of consumption, constantly rising, it is easy to understand the popular feeling that the government note issues were not keeping pace with the movement. The paradox that a further redundancy of notes would create a still greater scarcity by driving prices still higher and putting commodities still further beyond the reach of the note-holder, was seldom understood. "The business wants of the country" were never satisfied, and were calling for more notes during the inflation of the Confederacy, just as they were in the North at the same time, and as they always had done in

¹ *Richmond Examiner*, Apl. 14, 1863, Aug. 27, 1864; *Petersburg Express*, May 20, 1863; Jones, *Diary*, II, 396 (Jan. 24, 1865).

² Jones, *Diary*, II, 154 (Feb. 21, 1864); *Richmond Examiner*, Mch. 28, 1864; *Atlanta Register*, June 24, 1864.

³ *Confed. Archives*: Denègre to Memminger, May 26, 1861; *Raleigh Progress*, June 23, 1864, Mch. 3, 1865 (latter quoting *Richmond Examiner*, Feb. 25, 1865).

former periods of suspension in our history.¹ Under similar conditions the pressure for more currency was always inevitable and generally irresistible.

The history of the French *assignats* offers an instructive parallel. We hear constant complaints of a lack of a circulating medium and a clamor for more notes, especially of small denomination.² Exactly the same cry was raised in Austria during the fifties and in Russia during the next decade.³ It is always the same story: as the irredeemable paper drives up prices, the public demands, and generally gets, more notes with which to meet this higher price level.

The popular clamor for more currency is hard to distinguish from the *fiat* money doctrines which the Federal paper money policy called to life after the war. In fact, traces are not wanting of the prevalence of such *fiat* money notions in the South. A writer of prominence notes the common feeling at the time that gold is inconvenient, and only useful as a "basis" for a circulation; that the ideal circulating medium is paper money, which creates wealth.⁴ Elsewhere⁵ we find reference to the prevalent notion that the money of the people, whether coin or paper, should emanate from the government. It is characteristic of every inflated government note issue that it obscures and confuses the distinction between a coin and an instrument of credit, between the position of the government in minting metal and in issuing notes. Some who realized that a note issue is a banking function were still led to favor a government issue of irredeemable notes on the ground that they were superior to banknotes in stability of credit, — the old notion that the noteholder is secured by a first mortgage upon the entire wealth of the community, — in extent of circulation, and in permanency of amount. We

¹ Cf. Rhodes, *Hist'y U. S.*, IV, 237; Sumner, *Hist'y Am. Currency*, 219-20; Sumner, *Hist'y Banking U. S.*, 265, 272; Bullock, *Monet. Hist'y U. S.* (*passim*).

² White, *Fiat Money in France*, 28, 29, 44-6, 58; *Le Moniteur*, V, 665, VIII, 228.

³ A. Wagner, *Russische Papierwährung* (1868), 13, 15-16, 69.

⁴ Eggleston, *Recollections*, 99.

⁵ *Charleston Courier*, Apl. 23, 1862.

also find the notion, common under similar distorting monetary conditions, that the amount of the circulating medium should not fluctuate, but remain constant. The corollary is self-evident: "to be convertible into coin, and to serve the purposes of a paper currency for domestic trade, are incompatible things."¹ Here we have in embryo all the stock of notions of "greenbackism," that monetary philosophy which in after years befuddled so many minds, and played such an important rôle in the country's political history.

For an earlier appearance of the *fiat* money doctrine as a concomitant of an over-issue of irredeemable paper money we look to England during the restriction period at the beginning of the nineteenth century and to France during the Revolution. Rabaud's speech in the French Assembly on April 17, 1791,² would have reached equally sympathetic ears if it had been delivered in the Confederate Congress. A depreciated and redundant currency was to his mind a blessing in disguise, in that it stimulated trade and commerce.

As was to be expected, the growing redundancy of Confederate treasury notes and the attendant rise in prices stimulated the issue of similar notes for the purpose of circulation. Individuals as well as corporations, public and private, provided with the necessary paper and machinery, vied with each other and the central government to supply the popular demand for more currency. The State governments are the first to be considered.

Alabama started the ball rolling as early as February 9, 1861, before the Confederate government had launched its paper money policy, by authorizing the issue of one million dollars of State treasury notes. In the following year the amount was first doubled, then raised to three and a half millions, and the denominations fixed at one dollar and less; an issue of 5% treasury notes was also authorized in lieu of bonds.³ In 1864 these State notes were quoted at a premium

¹ *Charleston Courier*, Apl. 23, 1862; cf. *Charleston Mercury*, Apl. 10, 1862; *Richmond Dispatch*, Oct. 28, 1861, quoting *Lynchburg Virginian*; *Our Currency*, 5, 7, 15.

² *Le Moniteur*, VIII, 228-9; cf. White, *Fiat Money in France*, 10, 47.

³ *Ala. acts* Nov. 8, Dec. 4, 9, 1862.

in the Confederate notes which were about to be discredited by the Funding Act of February 17. The latter were eagerly offered in exchange for the former,¹ evidently in order to escape the effect of that act. The State authorities stopped this exchange, and, when the Funding Act was behind them, a law was passed on December 13, 1864, providing for an issue of an indefinite amount of State notes redeemable in Confederate notes. Arkansas² was also liberally supplied with State treasury notes, which, as in the case of Alabama, were receivable for taxes.

Florida went to great lengths in the issue of State treasury notes. With a banknote issue in circulation at the beginning of 1861 not far exceeding \$100,000, the legislature did not hesitate to authorize \$500,000 in treasury notes, and in denominations between \$1 and \$100. This issue was followed before the end of the year by another of the same amount with which to meet the State's quota of the war tax. In 1862 a further issue of \$300,000 was put out, \$50,000 to be in denominations of less than one dollar, increased to \$100,000 in 1864, when also a further issue of \$350,000 was authorized.³

The State of Georgia apparently delayed until 1862 before it embarked on the policy of issuing notes. One issue, in amount \$1,000,000, was in a large variety of denominations between five cents and four dollars, and redeemable in Confederate notes; this was at once followed by an indefinite issue of notes to meet deficiencies in the State revenue, authority for which was repeated a year later, when a further one of small notes was provided for.⁴ On the basis of all these laws nearly 18 millions of dollars in State notes were outstanding in the fall of 1864, 8 millions of them being small notes, the rest bearing interest;⁵ all of them were

¹ *Montgomery Daily Advertiser*, Feb. 25-6, 1864.

² Ark. acts Nov. 14, 18, 1861.

³ Fla. acts Feb. 14, Dec. 16, 17, 1861; Dec. 13, 1862; Nov. 30, 1863; Dec. 7, 1864.

⁴ Ga. acts Dec. 5, 13, 1862; Dec. 12, 14, 1863; Knox, *Hist'y Banking*, 581.

⁵ *Rep't Comptroller-Gen'l Ga.*, Oct. 16, 1864, *Augusta Chronicle & Sentinel*, Oct. 27, 1864.

redeemable in Confederate treasury notes, the time of redemption, however, being pushed off till 1866 by an act passed March 9, 1865.

Before the capture of New Orleans the Louisiana legislature had authorized an issue of \$7,000,000 in State treasury notes.¹ After the capture the record of that body's doings is meagre. We know, however, of an authorized issue of \$300,000 in small State notes, and of a bond issue to take up the outstanding notes.²

Mississippi, like Florida, had an insignificant banknote currency in 1860; and, like that State, Mississippi went to extremes in issuing and circulating State treasury notes. A long series of laws provided for these issues,³ the motive being either to supply the State with war revenue, or to assist the needy planters by making advances on cotton. In January, 1861, shortly after the State's secession, one million dollars in interest-bearing notes were authorized. Two acts at the end of that year provided for five millions of dollars more in notes to be redeemed out of the proceeds of the cotton pledged by the planters. This issue was exhausted in supplying the wants of the 8587 planters who asked for advances.⁴ Early in 1862 a further issue of \$2,500,000 was created for the defence of the State. This was followed in April, 1864, by an issue of small treasury warrants, redeemable in State treasury notes. In August, 1864, a further \$2,000,000 were authorized, later and earlier laws providing that the notes could be reissued, and could also, like the Confederate notes, be funded in bonds of the State.

North Carolina presents much the same picture with its bewildering list of laws authorizing the issue of State treasury notes.⁵ The State began in May, 1861, with \$3,250,000

¹ La. act Jan. 23, 1862.

² La. acts Feb. 8, 11, 1864 ("insurgent" State legislature).

³ Miss. acts Jan. 26, Nov. 29, Dec. 19, 1861; Jan. 29, 1862; Dec. 5, 1863; Apl. 5, Aug. 9, 12, 13, 1864; Mch. 3, 1865.

⁴ *Off'l Rec'ds Rebellion*, 4th S., II, 925 (Gov.'s mess., Nov. 3, 1863).

⁵ N. C. acts May 11, June 28, Sept. 8, 20, Dec. 1, 1861; Jan. 25, Dec. 20, 1862; Dec. 12, 1863; May 28, Dec. 15, 1864.

notes of various kinds, in denominations from five cents to one hundred dollars, redeemable in 1866. In the following month authority was given for the further issue of \$200,000 in small notes (10-50 cents), and also for the issue of a large block of bonds which the banks were to buy and base an issue of small banknotes upon, now forbidden. At the end of September, 1861, the State Comptroller reported an outstanding circulation of \$3,357,810.50 in State treasury notes. About the same time the legislature authorized further issues to the amount of \$1,800,000, part of which were made redeemable in 1867. It is to be noted that the State was following the example of the Congress in pushing off further and further the time of redemption. In December, 1861, it also adopted another device of the Congress, namely, interest-bearing notes, which were authorized to the amount of \$3,000,000; the interest feature, however, was repealed in the next month. A year later, in December, 1862, another issue of \$3,000,000 in large, and \$1,400,000 in small treasury notes was provided for; and still a year later one of \$400,000 in small notes, this time redeemable in 1870. In the following spring, in May, 1864, another batch of \$3,000,000 in notes of all denominations from 5 cents to \$3 was forthcoming, their redemption being postponed till two years after the establishment of peace. Even this future date was not remote enough, and in the last weeks of 1864 a law was passed practically making all notes redeemable in 1876, a trifling with the terms of the contracts which we can afford to leave unnoticed. When the State Treasurer took up the broken threads after the close of hostilities, he found that over 8½ millions of treasury notes had been issued during the war, and that \$5,246,336.25 were still in the hands of the public; three-fifths of this amount were in notes of denominations between 5 cents and \$3.¹

The Virginia legislature was busily engaged during the first two years of the war in authorizing successive issues of State treasury notes.² In March, 1861, a beginning was

¹ *N. C. Convention, 1865 (Exec. Doc's) Rep't Pub. Treas'r.*

² *Va. acts* Mch. 14, Apl. 30, June 28, Dec. 4, 30, 1861; Mch. 31, May 14, 1862.

made with \$1,000,000 in large denominations, bearing interest and redeemable in one year, but reissuable within two years. In April the amount was doubled, and in June the amount was increased to \$4,000,000, half of it in notes bearing no interest. In December another issue of \$4,000,000 in non-interest-bearing notes to replace those bearing interest was authorized. In the following March a further issue of \$1,300,000 was made; and in May it was provided that all notes under previous acts might be reissued in denominations as low as one dollar. A later attempt to increase the issue of State treasury notes failed in both houses of the Virginia legislature,¹ one member objecting to the bill on the ground "of the great expense it would be to the State, owing to the high prices of paper, printing, and clerks,"² another³ on the ground that it would drive out specie. The Governor's message of January 7, 1863, indicates that 5 millions of dollars in State notes had been issued in 1861. During 1862 more were redeemed than were issued, so that presumably at the end of the year about 4½ millions were still outstanding, a figure which was apparently not much swelled during the rest of the war.

The amount of State treasury notes issued by all the States and outstanding at any time cannot be determined. Mr. Memminger estimated, in his report of January 10, 1863, that the circulation of such treasury notes and of banknotes did not exceed \$20,000,000. But this figure must have been far within the truth, as is evidenced by the authenticated figures given in previous paragraphs.

The cities of the South followed the example of the States, and issued municipal treasury notes to serve as a circulating medium. Richmond began as early as April, 1861, a city ordinance authorizing \$300,000 in 25 cent, 50 cent, \$1, and \$2 notes, exchangeable for Virginia banknotes. This action was legalized by the State legislature in the following spring,⁴

¹ *Richmond Examiner*, Mch. 20, 25, 31, 1863.

² *Ibid.*, Feb. 17, 1863.

³ *Ibid.*, Mch. 24, 1863.

⁴ Richmond ordinance Apl. 19, 1861; *Bankers' Mag.*, XV, 939 (June, 1861);

when the amount was increased to half a million. The notes had been well received, and had proved an "immense convenience" in making change; so much so that the legislature saw fit to extend the privilege to all cities with a population of 2000, and to three others, the limit of issue in each city being twice the average amount of State taxes assessed in the particular city during the three previous years. Counties and towns were also empowered to issue notes, but, like the cities, they were obliged to retire one-sixth of their issues during 1863 and each succeeding year. Moreover, the banks were called upon to receive and pay them out. Early in 1863¹ we hear the usual complaints that the \$500,000 Richmond notes are insufficient for the wants of the increased population. The legislature, however, did not listen to the demand for a further half million, but forbade any increase of that form of currency on September 22, 1863.

In Charleston, the great fire in the fall of 1861 offered the opportunity of issuing municipal notes, the State legislature on petition of the city council authorizing an issue of \$300,000 in small denominations, one-third of the amount in denominations below one dollar. In 1863 the legislature authorized their redemption in Confederate notes or South Carolina banknotes, but yielded to the pressure for more currency in 1864, and authorized an issue of half a million during the rest of the war.² Presumably the city government took full advantage of its note-issuing privileges, for of its estimated revenue in 1863, nearly one-quarter was based on the issue of notes.³ It was no new experience for Charleston, for already in the War of 1812 the city had issued bills of credit.⁴

We hear of other cases of cities' issuing notes, especially in small denominations, Pensacola and Augusta being the 12 Wall. 351; Va. acts Mch. 19, 29, May 15, 19, 1862; *Richmond Dispatch*, Apl. 26, 1862.

¹ *Richmond Examiner*, Jan. 14, 1863.

² *Charleston Courier*, Dec. 7, 1861; S. C. acts Dec. 21, 1861; Feb. 6, 1863; Dec. 23, 1864.

³ *Charleston Courier*, Jan. 24, Oct. 31, 1863.

⁴ Sumner, *Hist'y Banking U. S.*, 87.

leading examples.¹ No doubt many more could be found, presenting the same picture that we invariably find in times of irredeemable paper money, in Italy, in France during the Revolution, and in the North during the Civil War,² when the municipal and other local governments were rivalling the central authorities in the issue of paper money or were defying them by assuming that privilege.

Private corporations naturally followed the lead taken by public corporations in supplying the eager public with paper currency, and among these the railroads stand first. They issued large amounts of small notes, — often evidently without legal sanction, — which gained a wide currency.³ Georgia granted "banking privileges" in the old sense of the words to two railroads,⁴ authorizing the issue of notes for between five cents and one dollar, redeemable in current banknotes, and secured by the railroad's property and by the faith of the State, the latter being actually invoked by the noteholder many years after the war. In Mississippi during the winter of 1861–2 the various railroads of the State were authorized to issue notes in considerable amounts, which were redeemable in Confederate notes or banknotes and receivable by the railroads in payment for transportation. Evidently the railroads lived up to their opportunities, and put a large amount of notes into circulation, for after the war they were compelled by law to accept the outstanding ones in payment for transportation charges; however, each railroad was obliged to receive only its own issues.⁵

Beside the railroads many other corporations, like turn-pike companies, factories, insurance companies, and savings banks supplied their share of notes to the already redundant

¹ Fla. act Dec. 17, 1861; Ga. act Nov. 26, 1861; La. act June 20, 1863; *Charleston Courier*, Dec. 17, 1861; *Merchants' Mag.*, XVI, 392 (Nov., 1861).

² A. Wagner, *System d. deutschen Zettelbankgesetzgebung* (1870), p. 67, note; *Le Moniteur*, VIII, 229–30 (Apl. 17, 1791); *Bankers' Mag.* (N. Y.), XVII, 316 (Oct., 1862); XVII, 823 (Apl., 1863).

³ *Richmond Dispatch*, Mch. 21, Apl. 7, 1862; Fla. act Dec. 13, 1861; *Charleston Courier*, Dec. 4, 1861; *Merchants' Mag.*, XVI, 392 (Nov., 1861).

⁴ Ga. acts Dec. 17, 1861, Apl. 10, 1863; *N. Y. Times*, Jan. 7, 1900.

⁵ Miss. acts Dec. 20, 1861; Jan. 18, 22, 28, 1862; Nov. 22, 1865.

currency.¹ In the case of one manufacturing concern in Georgia, we are told that it had by general request undertaken to issue change bills in the fall of 1861, in order to obviate the great scarcity of silver coin. Similarly in 1864 an institution in South Carolina undertook to issue small notes to meet the wants and objections of farmers and producers, "who cannot sell under the extant condition of the currency," namely, in view of the uncertain effect of the Funding Act recently passed. The notes were redeemable in July, 1864, in the new currency created by that act, and were well received.²

The practice of issuing and circulating notes was not limited to large concerns. Every individual who saw his way to unloading his promissory notes on the community, did so, and figured as a public benefactor in supplying the scarcity of small change resulting avowedly from the despicable habit of hoarding small silver coins. Naturally these "shinplasters" were signed and circulated chiefly by men who had dealings with a wide class of buyers, to whom they had to give change in transactions. So, for instance, the tobacconists, grocers, barbers, innkeepers and milk-dealers figured prominently in this class,³ and often made their notes redeemable in the goods or services they habitually offered. There must have been an enormous mass of such personal bills of credit afloat, as there always are under similar circumstances, when the conditions of the government and bank currency invite competition in the issue of notes by all who can possibly get them into circulation. These were the conditions in the North as well as in the South, though the issue of "shinplasters" was more common in the latter section owing to the greater confusion of the currency.

¹ *Richmond Dispatch*, Apl. 21, 1862; *Ga. act* Dec. 17, 1861; *Miss. act.* Jan. 25, 1862; *N. Y. Herald*, Feb. 9, 1862; *Bankers' Mag.* (N. Y.), XVI, 827-8 (Apl., 1862); Knox, *Hist'y Banking*, 580.

² *Charleston Courier*, May 3, 1864; *Charleston Mercury*, May 5, 1864.

³ Cf. *Bankers' Mag.* (N. Y.), XVI, 827-8 (Apl., 1862); *Richmond Examiner*, Oct. 31, Nov. 5, 7, 1861; *Richmond Dispatch*, Dec. 7, 1861; Jan. 18, Mch. 6, Apl. 19, 21, 24, May 26, 1862; *Richmond Enquirer*, Feb. 12, 1863; *Charleston Courier*, Jan. 18, Aug. 12, Oct. 7, 1862; Mch. 9, 1864; *Newbern Progress*, July 20, 1861.

The experience with these "shinplasters," or personal notes issued to circulate, was, as usual, a repetition of earlier experiences in the United States with this curse of every deranged currency system. Professor Sumner describes in full the circulation of corporate and individual notes during the War of 1812. We are told that —

"Fractional notes ranging from six and a quarter to fifty cents were also freely injected into the currency. Individuals and corporations, barbers and bartenders, as well as manufacturers and capitalists, the solvent and the insolvent, further variegated the assortment of 'shinplasters' by liberal contributions, some professing to call for money and others for services."¹

Later, during the financial revulsion of 1837-40, a new crop of "shinplasters" appeared; "those abominations," Niles tells us, "are becoming as plentiful, and will prove as troublesome, as the frogs of Egypt," which prophecy proved correct.²

During the period of suspension in the sixties, Italy was flooded with similar issues of individual and corporate notes. The government could not prevent municipalities, savings banks, manufacturers, labor organizations, religious institutions, pawnbrokers, and tradesmen in general from issuing the small notes the community called for in the absence of fractional coins that had been driven out by the issue of government paper.³

The Confederate Congress took no steps toward repressing the circulation of notes other than the central government's issues. The Continental Congress had at least — on February 15 and November 22, 1777 — earnestly recommended to the States to avoid further issues and to call in all notes above \$1, meeting their future wants out of tax revenue. Its successor, the Confederate Congress, hardly felt inclined to wound the particularistic feelings of the States by interfer-

¹ Sumner, *Hist'y Banking U. S.*, 64-5 (quoting Woodward, *Hartford Bank*); cf. also *ibid.*, 83, 85, 92.

² 52 *Niles Register*, 193 (May 27, 1837); Sumner, *l. c.*, 273.

³ M. Grunwald in *Finanz-Archiv*, XI, 93-5 (1894).

ing with one of their favorite methods of meeting expenses. The military authorities apparently had no such compunctions, for we have evidence of General Winder's suppressing with some success the issue of "shinplasters" in Richmond.¹

The State legislatures made at least an attempt to prevent the circulation of personal and corporate notes, but evidently without much success. A Virginia act of October 1, 1861, forbade such issues under heavy penalties. A similar prohibition had been made by the State on April 3, 1838. Large amounts were issued notwithstanding, and in the following spring, on March 19, 1862, a further attempt was made to compel the withdrawal of notes issued without authority of law. Still another effort was made in the same direction on October 6, 1862; but finally, on September 22, 1863, only future issues of such notes were forbidden, and those previously issued were tolerated, provided they were not re-issued when redeemed.

Florida forbade the issue of circulating notes by individuals or corporations as early as February 14, 1861, from which we may infer that even then such notes were outstanding in considerable numbers. The prohibition was repeated on December 13, 1861. Four days before, Alabama had enacted a similar measure; and we are told that in North Carolina the issue of "shinplasters" was an "indictable offence."² In Mississippi an act passed in 1863³ taxed unauthorized issues of change bills 100%, but left the issues of cities and towns untouched. A similar law of Arkansas, dated November 18, 1861, had forbidden the issue of irresponsible paper by individuals or corporations, but had allowed the banks to issue banknotes of any denomination. Finally, a Louisiana statute forbade unauthorized issues of notes as currency. It was said at the time: "People must have an instrument of exchange, and neither Grand nor Petit

¹ *Richmond Dispatch*, Apl. 19, 1862 (advert.); May 7, 1862.

² *Newbern Progress*, July 20, 1861, quoting *Western Democrat*.

³ *Miss. act* Jan. 3, 1863; Keating, *Memphis*, 505.

Juries can ignore the inevitable law of necessity."¹ We know that the New Orleans Grand Jury indicted sixteen persons for issuing "shinplasters,"² but we know of no conviction for the offence. Reference need hardly be made to the similar attempt to suppress unauthorized issues of notes in the North during the Civil War, and in the United States during the War of 1812.³

From unauthorized issues of notes to counterfeits is a short step, as was illustrated in 1837 by the familiar story of the New York counterfeiters who escaped conviction by claiming to be a bank.⁴ This experience was repeated in the South in the appearance of numerous bogus banks in the fall of 1861, whose note issues must have been very extensive.⁵

About the same time a batch of unsigned government notes was stolen, signed with fictitious names and circulated. The culprits were arrested.⁶

Counterfeit banknotes and treasury notes began to appear early in 1861, and are occasionally mentioned during the rest of the year,⁷ but in 1862 they appeared in much larger numbers with the increased redundancy of the currency, just as they did in the North.⁸ In both sections the depreciated currency and the consequent confusion gave the greatest encouragement to such unlawful practices, as has always been the case under similar conditions, for instance during the French Revolution, during the American War of Independence, in Austria in the first years of the nineteenth, and in China in earlier centuries.⁹ We gather that the cost of

¹ *Charleston Courier*, Jan. 29, 1862 (New Orleans corresp.).

² *Petersburg Express*, Feb. 11, 1862.

³ Cf. *Bankers' Mag.* (N. Y.), XVII, 256 (Oct., 1862); XVII, 475 (Dec., 1862); XVIII, 245 (Sept., 1863); Sumner, *Hist'y Banking U. S.*, 65, 83, 85.

⁴ 52 *Niles Reg.*, 164 (May 13, 1837), quoted in Sumner, *Hist'y Banking U. S.*, 313-14.

⁵ *Richmond Enquirer*, Oct. 3, 1861; *Richmond Examiner*, Oct. 31, 1861.

⁶ *Charleston Courier*, Sept. 1, 2, Oct. 1, 1861.

⁷ *Ibid.*, Mch. 13, 19, Aug. 7, Nov. 2, 1861.

⁸ *Ibid.*, Jan. 20, 1862; *DeBow's Rev.*, XXXIV, 330 (Sept., 1866); *Bankers' Mag.* (N. Y.), XVII (*passim*).

⁹ *Révolution de Paris*, 2^e année, no. 77, p. 648; 4^e année, no. 135, p. 266; Con-

paper in the South and the difficulty of engraving it set the only practical limits to the making and circulation of counterfeits, which were very numerous, especially during 1862 and 1863.¹ The Congress was obliged to pass laws² relieving of liability those Confederate officials who received such counterfeits.

The Congress also provided heavy penalties for counterfeiting, for instance in the treasury note act of August 19, 1861; but though we hear of one counterfeiter being executed,³ the death penalty was presumably inflicted as rarely as it was for the same offence during the American Revolution,⁴ which bears out the statement that under such currency conditions as prevailed in the South during the Civil War, government notes and banknotes shaded off imperceptibly into unauthorized issues, these shading off again into counterfeits, and that the popular conscience was fully awake to this fact.

The popular feeling against Southern counterfeiters was not as strong as against the Northerners who were said to have taken advantage of the poorly executed Southern notes and supplied the invading Federal troops with imitations. In one case, however, such Northern counterfeits turned out to have been made in derision of Confederate notes.⁵ Other cases are mentioned⁶ which make it clear that the practice complained of did prevail to some extent. We even hear of Federal prisoners in Richmond successfully manufacturing and circulating Confederate notes.⁷

tinental Congress: Apl. 30, June 24, 1776; Sumner, *Hist'y Am. Currency*, 312; *Journal Asiatique*, 3e S., T. IV., p. 243, 445 & *passim* (1837).

¹ *Petersburg Express*, June 4, 1862, Jan. 12, 1863; *Richmond Dispatch*, Aug. 23, 25, 27, 28, Sept. 10, 1862; *Columbus, Ga., Enquirer*, June 14, 1863; *Memphis Appeal*, Oct. 14, 1863 (quoting *Richmond Whig*).

² Confed. acts May 1, 1863; Jan. 30, 1864.

³ *Richmond Dispatch*, Aug. 23, 1862.

⁴ Sumner, *Financier & Finances Am. Rev'n*, I, 68-9.

⁵ *Richmond Dispatch*, Apl. 15, 16, 1862.

⁶ *Ibid.*, June 30, Aug. 19 (Pres. Davis's message, Aug. 18, 1862), Aug. 20, 23, 1862; *Bankers' Mag.* (N. Y.), XVII, 163-4 (Aug., 1862); Confed. act Oct. 13, 1862.

⁷ Shurtleff, *A Year with the Rebels*, 396.

The same practice is recorded during our Revolutionary War, when the British "counterfeited the [Continental] bills and passed them through the lines,"¹ just as some time before Russia's dishonest neighbors were accused² of flooding the country with counterfeit copper coins. But the best example of the practice is found in the French Revolution, when it is credibly reported that great masses of counterfeit *assignats* were produced by foreigners, especially in England, and smuggled into France. France retaliated later by counterfeiting and circulating in Berlin Prussian token coins, which at the time were much debased.³

The Confederate authorities could not prevent the circulation of counterfeits, whether they were the product of Southern or Northern ingenuity. They were similarly helpless against the invasion of Federal currency. Wherever the Northern troops advanced, the Federal "greenback" followed, and found its way into general circulation not only in the disputed territory of the border States, but also in the leading centres of the Confederacy. Drafts on New York, Philadelphia, and Boston were advertised for sale in Richmond in the spring of 1862,⁴ and till the end of the war "greenbacks" were dealt in. At times their price was regularly quoted in Richmond, and the notes were publicly displayed in the brokers' offices.⁵ This, to be sure, aroused feeling against the brokers, and the authorities were urged to take steps to suppress them and the circulation of Northern currency, but "greenbacks" continued to pass from hand to hand in the South, and became more and more acceptable as the Confederate currency declined in value. During the

¹ Sumner, *Am. Currency*, 45.

² Horn, *Hist'y Banking Russia*, 343 (Dodsworth, *Hist'y Banking*, II).

³ Blanc, *Hist. de la Révolution*, XI, 392; De Goncourt, *Société franç. pend. la Révolution*, 179; *Le Moniteur*, XI, 443; XV, 18, 49; XXI, 198; Pertz, *Leben von Stein*, II, 110.

⁴ *Richmond Dispatch*, May 14, 28, June 7, 1862.

⁵ *Richmond Examiner*, Mch. 26, Dec. 17, 1863, Jan. 4, 1864; Jones, *Diary*, I, 272.

last year of the war they must have been very generally in circulation in the South.¹

In 1863 the Virginia legislature discussed the advisability of forbidding their circulation,² but apparently nothing came of it. The Confederate Congress, however, took up the matter seriously. A bill was introduced in April, 1863, to prevent the sale of United States treasury notes, but action was postponed till the next session, when a number of similar bills were presented and discussed. It was claimed by one Representative that the circulation of "greenbacks" had done more harm to the Confederate States than the Federal arms; that it had spread disaffection, and stimulated trade with the North. The House passed a bill, on December 24, 1863, to suppress their circulation; and after discussion in the Senate, it passed that body and became a law on February 6, 1864.³ Its provisions were simple; they forbade under heavy penalty any banker, broker, or other person to deal in United States currency. Two exceptions were made. The law did not apply to United States postage stamps, nor to any one acting on behalf of the Confederate government or by authority of the President or the head of a department.

In fact, as we shall see,⁴ the government was interested in speculations based on the sale of cotton and tobacco for "greenbacks." The latter must have accumulated in the Confederate treasury, and were evidently obtained in the open market. A notice published at the end of 1864⁵ states that Federal currency may be disposed of on good terms and without violating the above law by presenting them to the government agent at a certain Richmond banking house. In the last days of the Confederacy the surplus Federal currency in the treasury of one of the military departments was

¹ *Richmond Examiner*, Jan. 22, 1864 (Sen. A. T. Caperton in the Confed. Cong.); *ibid.*, Dec. 19, 1863 (edit.); *Off'l Rec'ds Rebellion*, 1st S., XLVI, pt. 2, p. 1297 (Mch. 10, 1865).

² *Richmond Dispatch*, Sept. 14, 1863; *Richmond Examiner*, Dec. 21, 1863.

³ *Richmond Examiner*, May 1, 2, Dec. 8, 11, 23-5, 1863; Jan. 22, 1864.

⁴ See pages 253 & ss.

⁵ *Richmond Examiner*, Dec. 10, 14, 1864.

used to pay off the Confederate soldiers at the rate of \$1 in "greenbacks" for \$15 in Confederate notes.¹

Postage stamps were current as a circulating medium in the South during the war. At times they circulated widely when the demand for small change was particularly urgent, as in January, 1863; at other times people refused to take them, as in May, 1862, when, we are told, people were "eager to spend those they had on hand," a true analysis of the motives actuating noteholders whenever the currency is growing redundant.² In 1864³ the post-office met the demand for small change with an issue of half a million 20-cent postage stamps. At first they were freely received, then no one wanted them, and the post-office did not offer to redeem them. A similar demand for small change made postage stamps circulate in the North during the war, which survived in popular language in the expression "stamps" as a synonym of "cash." Italy had the same experience during its period of suspension in the sixties.⁴

The introduction of the enemy's currency and its ready circulation in the South are suggestive of the utter collapse of the Confederate circulating medium. The various kinds of currency in the South became so debased and deranged that the people were driven back to earlier forms of trade, and were compelled to revert to barter in order to escape the hopeless confusion due to the paper medium of exchange. In the fall of 1862 already we find an iron-manufacturing concern in South Carolina announcing that it will barter given quantities of nails and iron for given quantities of bacon, leather, flour, corn, and other products.⁵ A similar notice appears in a Richmond paper a year later.⁶ We also

¹ *Off'l Rec'ds Rebellion*, 1st S., XLIX, pt. 2, p. 1254 (Apl. 19, 1865).

² *Richmond Dispatch*, Jan. 18, 1862; *Petersburg Express*, May 23, 1862; *Richmond Examiner*, Jan. 14, 1863; *Nashville American*, Dec. 25, 1877, quoted in *N. Y. Times*, Dec. 27, 1877.

³ *Ibid.*, Apl. 13, 1864.

⁴ M. Grunwald in *Finanz-Archiv*, XI, 94 (1894).

⁵ *Charleston Courier*, Nov. 12, 1863.

⁶ *Richmond Examiner*, Sept. 3, 1864.

I hear¹ of tenpenny nails passing current in North Carolina at 5 cents apiece. Toward the end of the war resort to barter must have been very general.² Payments were made in kind, just as taxes and subscriptions to government loans were so often paid in produce. In isolated cases the utter breakdown of the paper currency led to its being discarded in favor of coin which was smuggled across the border. Recalling this experience, a Southerner states that "at the end of the war we had this advantage [in Texas], that while the rest of the South was loaded up with worthless Confederate scrip, we had for a year or more been practically on a gold basis."³

¹ *Petersburg Daily News*, Mch. 31, 1863.

² Eggleston, *Recollections*, 104; *Off'l Rec'ds Rebellion*, 1st S., XLI, pt. 4, p. 1109 (Gen. E. R. Smith to Pres. Davis, Dec. 13, 1864); DeLeon, *Rebel Capitals*, 234.

³ *N. Y. Eve. Post*, Nov. 10, 1894, quoting L. C. Atkins.

CHAPTER IX

SOUTHERN PRICES

AMOUNT OF NOTES IN CIRCULATION — THE GOLD PREMIUM AND ITS FLUCTUATIONS — PRICES OF COMMODITIES AND THEIR MOVEMENTS — PRICES IN CURRENCY AND IN GOLD — WAGES AND SALARIES — LEGISLATION TO LIMIT PRICES — PRICE CONVENTIONS — MOVEMENT TO SUPPRESS EXTORTION.

It is impossible to state even approximately how many Confederate treasury notes were outstanding at any time during the war, partly owing to the paucity of reliable sources of information, and partly because we have no means of telling how many of the call certificates and interest-bearing treasury notes were treated like an investment and locked up by the public, and how many were treated as currency and passed from hand to hand. Judging from the most reliable sources, the Reports of the Secretary of the Treasury, we conclude that something over \$1,000,000 in treasury notes were in active circulation during June and July, 1861; that the amount rose to above \$30,000,000 before the end of the year; and passed \$100,000,000 by March, 1862, \$200,000,000 by August of that year, and reached something like \$450,000,000 by December, 1862. By the fall of 1863, at least \$700,000,000 of treasury notes must have been in circulation, which sum must have been increased by several hundreds of millions of dollars before the end of the war, though the figures after the fall of 1864 are purely conjectural.

Add to the above all the scraps of information available upon the outstanding unfunded indebtedness of the Confederacy, and we conclude that the greatest increase in the

amount of treasury notes issued and outstanding occurred during the last months of 1862, again during the second half of 1863, and, speaking by inference, once more during the last months of the war. During the first months of 1863 and again during the first months of 1864 there was a decided falling off in the amount of notes outstanding, due to the two funding laws, of March 23, 1863, and of February 17, 1864, which forcibly reduced the amount by compelling noteholders, under penalty of a heavy tax, to exchange their notes for government bonds.

Even if we knew the successive amounts of Confederate treasury notes in the hands of the public during the war, this would signify little, as they formed but a part of the currency; the State, municipal, bank, corporate, and individual notes formed the other, and, as we have seen, no inconsiderable part.

The rise and fluctuations of the gold premium can be more easily and accurately established. It first appeared in April and May, 1861,¹ was quoted regularly from July on, and reached fabulous heights before the end of the war. Owing to the size of the figures involved, the usual method of quoting the premium—that is, the excess over one dollar in currency obtained for a gold dollar—is less convenient than the one of quoting the equivalent of one gold dollar in currency dollars.

There were local differences in the gold premium at one and the same time, but these differences were necessarily small. In general, the growing inflation of the currency was uniformly reflected in the premium on gold, which gradually rose till March, 1862, and then progressed by successive leaps in April, September, and November, 1862. Thereafter it rose more and more rapidly till August, 1863. During the following months the rate of acceleration was less. After reaching a maximum in February, 1864,—a gold dollar was temporarily quoted at 30 in currency,—there was

¹ *DeBow's Rev.*, II, 330 (1866); *N. O. Price Current*, May 1, 18, 22, 28, 1861; *Confed. Archives*: Jno. Fraser & Co. to Sec'y Memminger, Apl. 27, 1861.

a decided decline till the middle of 1864, when the last upward start was made, the figures reaching 61 : 1 in March, 1865, and 1000 : 1 at the end of the following month. This movement of the gold premium corresponds roughly with the amount of government notes outstanding in each period. The relatively rapid increase in the issue of notes after August, 1862, during the last months of 1863, and again during the last months of the war, is reflected in the rapid increase of the gold premium at those three times. When the amount of outstanding notes remained stationary at the beginning of 1863, there was a somewhat slower advance of the gold premium during those months; while the shrinking of the outstanding notes during the first half of 1864 is distinctly reflected in a temporary decline of the premium.

AVERAGE MONTHLY VALUE IN CURRENCY OF ONE GOLD DOLLAR.

1861.	1862.	1863.	1864.	1865.
Jan.	Jan. 1.2	Jan. 3.	Jan. 21.	Jan. 53.
Feb. 1.	Feb. 1.2	Feb. 3.3	Feb. 23.	Feb. 58.
Mch. 1.	Mch. 1.3	Mch. 4.1	Mch. 22.	Mch. 61.
Apl. 1.	Apl. 1.5	Apl. 4.5	Apl. 21.	
May 1.	May 1.5	May 5.2	May 19.	
June 1.	June 1.5	June 7.	June 17.	
July 1.1	July 1.5	July 9.	July 20.	
Aug. 1.1	Aug. 1.5	Aug. 12.	Aug. 22.	
Sept. 1.1	Sept. 2.	Sept. 12.	Sept. 23.	
Oct. 1.1	Oct. 2.	Oct. 13.	Oct. 26.	
Nov. 1.2	Nov. 2.9	Nov. 15.	Nov. 30.	
Dec. 1.2	Dec. 2.9	Dec. 20.	Dec. 38.	

The table is based especially on the market reports in the Richmond, Charleston, and New Orleans papers; it differs slightly from similar tables previously published. Cf. N. C. act Mch. 12, 1866 (acts 1866, ch. 39), which fixed a scale of depreciation of Confederate currency; 34 Ga. 487 (1866); Appleton, *Ann. Cyclopedia for 1865*, p. 188; *N. Y. Eve. Post* (corresp.), Aug. 4, 1896.

This general dependence of the gold premium upon the amount of notes outstanding is similarly illustrated during the periods of irredeemable paper money in England, 1801-19, in Italy, 1866-74, in Russia, 1851-62, and in Austria, 1852-76. In these countries the gold premium was high in the years when the amount of notes in circulation was large; and correspondingly low when small amounts were circulating.¹ But a closer examination of the Italian experience indicates that, while the gold premium rose most rapidly during the years 1866-8 and 1871-4, when the circulation of notes was increasing most rapidly, and declined rapidly during 1868-70, when the notes outstanding varied little in amount, no close connection can be established between the fluctuations of the gold premium and the amount of the currency. The premium, instead of even roughly registering the varying amounts outstanding, fluctuated more or less independently, and recorded with accuracy the popular estimate of each important military and political event and its bearing upon the eventual outcome of the Italian difficulties.²

The history of the gold premium during the period of the French *assignats* bears the same interpretation. The enormous increase in the amount outstanding after the middle of 1795 is reflected in the accelerated rise in the gold premium from that time on; but the fluctuations of the latter seem to have reflected still more accurately the varying prospects of a return to a state of peace.³

In the North during the Civil War the course of the gold premium only remotely suggested the amount of notes outstanding at any time. The premium rose most rapidly, or, in other words, the notes sank in value most rapidly, at the beginning of 1863, recovering again during the second quarter of that year, declining after August, 1863, to their lowest

¹ Weisz in *Jahrb. für National-Oekonomie & Statistik*, XXXVIII, 151 & ss. (1882).

² Compare the elaborate tables and explanations of M. Grunwald in *Finanz-Archiv*, XI, 103 (1894).

³ Cf. C. Cuthberton, *Economic Rev.*, VIII, 439 (Oct. 1898); Thiers, *French Rev'n* (Shoberl transl.), III, 202.

point in the summer of 1864, and rising again during the last months of the war.¹ The value of the "greenback" was much more a barometer of popular feeling as to the eventual outcome of the war than a gauge of their amount in circulation, for the latter did not materially increase after July, 1863, and certainly not after July, 1864. In fact, the gold value of the Federal "greenback" ran closely parallel with the gold value of the Federal bonds during the war. This is also true of the Confederate bonds and treasury notes. These two sets of parallel fluctuations were evidently caused by the changing credit of the two governments concerned. They reflect the popular feeling on both sides as to the probability that the war would come to a successful close, as was suggested by the editor of the *Richmond Examiner* on April 1 and August 7, 1863 — not the feelings aroused by the daily or weekly returns from the seat of war, which are seen reflected in daily and weekly fluctuations of the bonds and of the gold premium, but the more deliberate public opinion, mathematically expressed by the average quotations during a series of months. The same results would be obtained from a study of the price of consols and the gold premium in England during 1801-19.²

An examination of Table I. on page 172 suggests that the Confederate credit was declining most rapidly in the spring of 1862, in the midsummer of 1863, in the first months of 1864, and in the first months of 1865, namely, at the times when the Confederacy was approaching a crisis; at these times the credit of the North was rising relatively fastest, and its hopes of ultimate success were brightest. Conversely, the North was most despondent of success, and the South correspondingly sanguine, in the summer of 1862, the first months of 1863, and the summer of 1864, which feelings are registered in the decline of the North's and relative improvement of the South's credit at those times.

¹ See table on page 167.

² Cf. Weisz in *Jahrb. für National-Oekonomie & Statistik*, XXXVIII, 154-5 (1882).

These ups and downs in popular feeling were the necessary result of the changing aspect of the war. After the inaction of 1861, the spring of 1862 was signalized by the first series of Federal successes. The Northern troops established themselves firmly on the South Atlantic coast, by occupying Roanoke Island, Newbern, Beaufort, and Norfolk; the Southern hope of breaking the Federal blockade with an improvised navy was frustrated by the "Monitor;" in the interior, Forts Henry and Donelson had fallen, and General Johnston's army had been driven back; and, above all, the Confederacy had lost New Orleans, and had been cut off from easy communication with the trans-Mississippi States. Into this period of Confederate reverses fall the first suspension of the writ of *habeas corpus* and the first conscription act, which called all male whites between the ages of eighteen and thirty-five into military service.

The Federal successes in the spring were not, however, followed up by others in the summer of 1862. On the contrary, the hopes of the South were raised, while those of the North fell, indicated by the more rapid decline of Northern than of Southern credit during those months. Vicksburg successfully withstood the efforts of the Federal forces to open up the Mississippi River, while the failure of the Peninsular campaign had a most depressing effect on the North. Then followed the second battle of Bull Run, General Bragg's operations in Kentucky, and General Lee's first advance into Maryland. Similar influences, depressing Northern and encouraging Southern feelings, remained operative till well into the year 1863.

With the summer of that year, however, the second crisis in the war was reached, when General Grant successfully invested and captured Vicksburg, and General Lee's invasion of Pennsylvania was brought to a close by the battle of Gettysburg; and these Federal victories depressed the gold premium in the North, and raised it in the South. At that time desertions were particularly frequent in the Confederate armies; and the strong Union sentiment evidenced at the

time in the western counties of North Carolina points in the same direction.

Again, in September and October, 1863, the hopes of the South were somewhat raised, and the spirits of the North were correspondingly depressed, by the successes of General Bragg about Chattanooga and those of General Lee in Virginia; but, with the Republican victories at the polls of the North in November, and with the decisive Federal victory at Chattanooga, the gold premium in the South rose rapidly, while in the North its rise and fluctuations were small. This crisis in the affairs of the Confederacy was again met by a conscription act, an act for heavy taxation, and the famous Funding Act, — all of the same date, February 17, 1864. The Funding Act succeeded, as we have seen, in reducing the amount of notes outstanding, and in correspondingly depressing the gold premium. But during the same months, especially during the months from June to September, the gold premium in the North rose to unprecedented heights, which suggests that there must have been other factors beside the Funding Act operating to depress the premium in the South. These factors it is easy to find in the victory of the war party in the North Carolina elections in July, 1864, in the failure of the Federal troops under General Grant and General Sherman to make any rapid advances, and perhaps in the nomination by the Northern Democrats, for the presidency, of General McClellan.¹

This temporary encouragement to the fortunes of the Confederacy gave way before the hopeless condition which confronted the South after the re-election of President Lincoln in November, 1864, and after the advance of General Sherman, the capture of the few remaining seaports, and the final campaign of General Grant about Richmond. During these months the gold premium rose in the South more rapidly than at any other time during the war, the gold dollar rising in value in currency from \$26 in October, 1864, to \$53 in January and \$61 in March, 1865. The corresponding value

¹ Cf. Jones, *Diary*, II, 275 (Sept. 1, 1864); also I, 186 (Nov. 9, 1862).

TABLE I.
Average Quarterly Prices in Gold of United States Bonds (6 %), and of Confederate States Bonds (8 %),
United States Treasury Notes and Confederate States Treasury Notes (100 = par).

	1861.				1862.				1863.				1864.				1865.
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1
United States { Bonds	92.9	86.7	88.9	93.0	91.1	97.4	86.1	76.5	53.7	84.8	80.5	73.3	67.9	60.5	44.3	49.3	55.1
Confederate { Treasury Notes	. . .	. . .	. . .	. . .	99.8	96.3	85.9	77.4	64.4	67.2	75.9	67.1	62.6	53.1	41.5	44.7	50.3
States { Bonds	. . .	. . .	. . .	. . .	81.9	91.0	64.9	64.8	39.3	32.1	20.5	17.1	10.8	7.3	5.7	. . .	4.6
Treasury Notes	. . .	. . .	90.0	87.5	82.7	66.7	60.0	39.5	29.0	18.0	9.1	6.3	4.6	5.3	4.6	3.2	1.7

TABLE II.
Currency Prices in the United States, 1861-65. Quarterly Averages, 1860 = 100.

	1861.				1862.				1863.				1864.				1865.
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1
Coffee	88	92	92	121	137	157	161	172	214	238	223	234	259	298	329	280	332
Sugar and molasses	84	77	69	115	109	104	126	129	132	130	142	165	173	221	286	228	273
Meat products	88	89	81	82	85	83	84	78	106	110	95	104	126	160	183	197	207
Cereals	89	86	75	79	86	85	106	101	117	140	120	137	169	166	214	192	213
Tobacco	83	83	91	81	110	120	120	169	188	180	223	192	171	228	228	224	271
Cotton	115	117	137	198	345	255	356	519	621	671	635	778	744	700	1417	1136	1104
\$1 gold	100	100	100	100	103	104	116	129	155	149	132	149	160	189	240	224	142

TABLE III.

Index Numbers of Northern and Southern Prices, 1861-65. Quarterly in Gold, 1860 = 100.

	1861.				1862.				1863.				1864.				1865.
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1
South { Simple average . . .	110	111	125	149	184	213	309	295	303	231	147	164	199	358	254	221	140
Weighted average ¹ . .	108	116	135	161	188	223	299	298	325	261	160	172	220	335	281	225	165
North { Simple average . . .	91	91	91	113	142	129	128	151	147	169	355	182	171	157	184	167	201
Weighted average ¹ . .	87	87	79	91	93	93	78	81	82	93	96	93	100	100	94	93	118

¹ Weighted average: coffee, 5; sugar and molasses, 7; meats, 20; cereals, 10; tobacco, 1.

of a gold dollar in Federal "greenbacks" fell from its highest point, in November, \$2.60, to the lowest point, in March, \$1.48.

We now turn from the rise and fluctuations in the price of gold to those of the price of commodities in general. The monthly index number representing the varying price of a number of commodities of wide consumption is given in Appendix I. The particular twenty-two commodities were chosen, because their prices were most regularly and consistently quoted in the available market reports of the time, indicating that these commodities were among those most regularly dealt in, and hence that the variations in their prices fairly reflect the operations of economic laws. The price of bacon and flour can be most frequently obtained, as they were very generally handled on the Southern markets; on the other hand, trustworthy quotations of the price of tobacco and cotton are much rarer, as transactions in which these products figured were correspondingly rare.

The prices of commodities varied greatly in different parts of the South during the war. Aside from the differences due to a scarcity of the given article in one and an abundance of it in another market, the city markets, such as those of Richmond, Charleston, and New Orleans, give different results from those in rural sections, such as of North Carolina. Food articles were, as a rule, higher in price in the cities named; while the opposite was true of imported articles, such as salt and coffee, especially toward the end of the war. In spite of these differences in prices, the figures in the Appendix represent the typical monthly price of each of the twenty-two articles in the South, as compared with the 1860 level. In obtaining these figures little reliance was put upon the official schedules of prices, published by commissions in various States and sections, according to which impressed goods were to be sold to the government. These were invariably below the actual level of the prevailing market prices, and are chiefly useful in pointing out the local differences in prices in any one month.

For convenience, the monthly index number may be reduced to a quarterly average, and most of the commodities may be combined into groups. These have been reduced to gold prices, on page 175, and brought into comparison with the similar figures for the North.

A study of these figures shows that the currency price of commodities rose with the rise in the price of gold, but generally much higher. Moreover, each unusual rise in the gold premium in the South was not coincident with, but was followed by, a general rise in the prices of commodities. Thus, the effect of the rapid rise of the premium in the spring of 1862, the summer of 1863, the first months of 1864, and the first months of 1865, noted and explained above, was exerted upon the price level of commodities some time later. In the North ¹ the currency prices of commodities responded more quickly to a sudden rise in the gold premium. Periods of high prices were in general coincident with, and did not

¹ Cf. p. 172.

GOLD PRICES IN THE NORTH AND IN THE SOUTH, 1861-65.
Quarterly Averages, 1860 = 100.

	1861				1862				1863				1864				1865
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1
Coffee	{ N. 88 S. 115 }	92	92	121	134	151	138	133	138	160	169	157	162	158	137	125	167
Sugar and Molasses ¹ }	{ N. 84 S. 130 }	77	69	115	106	100	88	100	85	87	108	111	108	117	119	102	137
Bacon, Lard, Butter, and Hides ¹ }	{ N. 88 S. 106 }	89	81	82	83	80	60	60	68	74	72	70	79	85	76	88	104
Wheat, Flour, Corn, Meal, and Oats ¹ }	{ N. 89 S. 103 }	86	75	79	84	82	73	78	77	94	91	92	106	88	89	86	107
Tobacco	{ N. 83 S. 107 }	83	91	81	107	116	103	131	121	151	169	129	107	121	95	100	136
Cotton	{ N. 115 S. 98 }	117	137	198	336	246	306	402	400	451	482	522	466	371	590	498	555
1 Simple average.																	

follow, the periods when gold was at its highest; for instance, in the summer of 1862, the first months of 1863, and the midsummer of 1864, which — as was pointed out above — were the months of deepest depression in the North. The difference in this particular between the North and the South may perhaps be best explained by the higher industrial ✓ development, the greater rapidity of circulation, and the larger markets and transactions of the North. This explanation is borne out by the fact that the currency prices in the Southern cities responded more quickly to a rise in the gold premium — for instance, in the summer of 1863 and in the first months of 1864 — than did the prices in the rural markets of North Carolina. Similarly, during the period of irredeemable paper money in Austria after 1866, the fluctuations in the currency value of silver were not immediately reflected in the course of prices and wages.¹

The excessive speculation encouraged by the derangement of prices and their violent fluctuations will be considered in another connection.² Here we are concerned with pointing out the effect the war had upon the prices of different classes of commodities. In general, cotton and tobacco, whose supply was wholly or partially monopolized by the South, fell in price (as expressed in gold) below the level of 1860; coffee, the supply of which was wholly derived from abroad, rose to the greatest height, followed more or less closely by sugar and molasses; while meat products and cereals stand between these two extremes, according as their conditions of supply approximate to those of the one or the other. In Russia and in Italy a similar result followed upon their issues of irredeemable paper money.³ In the North, too, during the Civil War, sugar, molasses, and tobacco outran gold. The price of cereals, on the other hand, did not rise to correspond with the rise in gold, and the price of meat products fell much further behind. It is noticeable that the

¹ *Jahrb. für National-Oekonomie & Statistik*, XXVIII, 218 (1877).

² See pages 230 & ss.

³ Wagner, *Russische Papierwährung*, 100; *Finanz-Archiv*, XI, 87 (1894).

leading agricultural staples — cotton in the South, cereals and meat products in the North — were least affected by the inflation of the currency in either section, and fell in price below the 1860 level.

Coffee, an imported article in both sections, rose (as expressed in gold) above the 1860 level in the North as well as the South. This was due not to the disturbance caused by the war, but to conditions affecting its production elsewhere, for coffee rose to great heights in the world's markets during 1861-5. This explains in part the enormous rise in the price of coffee in the South. The full explanation is found in the fact that, being a commodity obtained exclusively by importation from foreign sources, which were at the time almost completely cut off, coffee became very scarce, and its price rose higher than did that of any other of the enumerated commodities. It rose rapidly during the first two years of the war, as the Federal blockade became more and more effective, and especially after the Federal troops had captured New Orleans and some of the Atlantic seaports in the spring of 1862. It reached its highest point at the end of 1862, then fell off rapidly during 1863, recovered temporarily in the early part of 1864, but soon resumed its downward course. A reasonable explanation — a partial one, at least — of the apparently anomalous fact that coffee was dearest in the second and not in the last year of the war, is that, with the growing scarcity of the article, the consumption of it declined still more rapidly, and substitutes took its place. Indeed, after 1862 the army rations no longer included coffee.¹

The gold price of sugar and molasses fluctuated very much as did that of coffee, though not so violently. It reached a high point in the winter of 1862-3, and again in the spring of 1864, but fell off rapidly after those dates, as did the price of coffee. As these products were very largely supplied from abroad, the blockade drove the price up, toward the

¹ *Regulations Subsistence Dep't*, 1862, p. 7; *Off'l Rec'ds Rebellion*, 1st S., XXIV, pt. 3, p. 1055; XXVII, pt. 3, p. 536; XXXII, pt. 2, p. 608.

end of war, nearly as high as it drove that of coffee, and sugar and molasses no longer figured in the rations of the troops.

The price of meat products did not rise as high as that of sugar and molasses, since the supply of them was derived largely from home production; but it fluctuated with that of the latter, reaching a low figure in August, 1862, and a high figure in the first half of 1864. The supply of cereals, too, was relatively more abundant in the South, especially as the war progressed, and the farmers turned from raising tobacco and cotton to raising food products. Consequently, the price of cereals remained more nearly at the level of 1860, though it fluctuated somewhat, more or less in conformity with the fluctuations of the groups already discussed.

Of the enumerated commodities, tobacco and cotton were the only ones that fell below their gold value in 1860. They lagged behind in the general inflation of prices, evidently because the efficiency of the Federal blockade destroyed the market, and thereby depressed the price of these two leading articles of Southern export. In the North, cotton and tobacco, two leading articles of import, rose far above their gold value in 1860. This divergence of the price of cotton and tobacco in the North and the South as a result of the war and its commercial restrictions was the basis of the wild speculation, especially in cotton, and of the extensive trade carried on between the two warring sections, of which mention will be made below.¹

The relative movements of the gold prices of cotton in the North and in the South reflected — as did the similar movements of the gold premiums — the changing popular feeling in both sections as to the prospective close of the war. Two lines drawn to indicate the movements of these two sets of figures — as given on page 175 — diverge from the beginning of the war till the spring of 1862, the price of cotton rising in the North and falling in the South. The lines converge in the spring of 1862 and again in the beginning of 1864;

¹ See pages 236 & ss., 253 & ss.

they diverge in the summer of 1862, at the beginning of 1863, and especially in the summer of 1864. The first two periods were, as we saw, characterized by decisive Federal gains, — on the Mississippi in 1862, and at Chattanooga in 1864, — which, working together with other circumstances, made it appear to both sides that the end of the war might be near, and caused the price of cotton in both sections to approach a common level, especially by its rapid fall in the North. The lines diverge at those times, as during the summer of 1862, the early part of 1863, and the summer of 1864, when the prospect of an early close of the war, and therefore of getting the Southern cotton to a market, was dimmed by the delays in the Federal advance.

The same method of mathematically weighing public opinion during the war as to its eventual outcome is offered by comparing the general trend of gold prices in the North with the corresponding movement in the South. A general index number for either section, based both on a simple and a weighted average, can be constructed.¹ The lines plotted to indicate these two sets of figures do not run parallel, but converge and diverge during different periods of the war, converging at those times when events in the military, the political, or the financial field discouraged the South, and correspondingly encouraged the North in the general belief that the war was approaching an end; diverging at those times when Federal reverses, or similar events in other than the military field, raised the hopes of the South, and led to the belief on both sides that the war would be protracted.

The two lines diverge during the first two years of the war, when the lack of success on the part of the Federal troops made it more and more doubtful whether the war would come to an early end. The lines converge from the first to the third quarter of 1863, — namely, during the Vicksburg and Gettysburg campaigns, and while the South was meeting its difficulties with a conscription and a funding act, and was facing discontent in North Carolina. They diverge again

¹ See Table III, page 173.

from the third quarter of 1863 to the second quarter of 1864, as is the case during each of the preceding winters of the war, when the Federal advances were delayed and the Northern troops were unable to quickly follow up their previous successes. Finally, they converge from the second quarter of 1864 to the end of the war, as the victories of Generals Grant and Sherman made it more and more evident that the Confederate government was doomed.

The disintegration of the industrial organization of the South far surpassed that of the political organization. As a result of the paper money policy, and that of impressing goods for the army, the exchange of commodities was much hindered. Food supplies avoided the markets; the urban population and the army suffered from want, while there was an abundance of provisions in the country districts. Complaints were constantly made against the grasping farmers who were said to be withholding their produce for still higher prices. They were said to be the chief extortioners, and to have grown rich by former sales of their produce. A few upheld the farmers, and proved that they were far from making large profits; that, on the contrary, they, as a class, were suffering from the concomitants of the war, a deranged currency, a system of impressments, and a tax in kind.¹ The farmers were of course not the only ones accused of avarice in overcharging buyers. All merchants and shopkeepers, in fact every one who had goods or services to sell, came in for a share of abuse. The "godless Shylocks" were held up to public execration. Sermons were preached and the police invoked against greed, extortion, selfishness, and covetousness;² and the Governor of Virginia thundered at

¹ Cf. *Charleston Courier*, Mch. 3, July 31, 1862; *Richmond Examiner*, Oct. 8, 1863; Aug. 27, 1864 (edit.); *Memphis Appeal*, Oct. 22, 1863 (corresp.); *Petersburg Express*, Oct. 31, 1863; Jones, *Diary*, I, 246 (Jan. 26, 1863); I, 272 (Mch. 11, 1863); II, 92 (Nov. 8, 1863); *N. C. Standard*, Feb. 12, 1864 (edit.); *Off'l Rec'ds Rebellion*, 1st S., XLVI, pt. 2, pp. 1220-1 (Jan., 1865).

² *Charleston Courier*, Sept. 12, 19, 1861; Mch. 3, Apl. 25, 1862; Sept. 9, 1863; *Richmond Dispatch*, Mch. 24, Apl. 11, 30, June 11, Aug. 21, Dec. 5, 1862; *Petersburg Express*, June 18, Dec. 18, 1862; Stiles, *Nat'l Rectitude*, 28-34.

the unpatriotic extortioner, who was pursuing his heartless traffic and amassing wealth, and to whom the war was a god-send. The Governor even recommended the re-enactment of the Virginia law of 1777 aimed at preventing forestalling, engrossing, and other evils of a deranged price level. The Governor of Alabama had issued a similar proclamation in the fall of 1861.¹

As is usual during a period of deranged currency, the salaried and wage-earning class suffered severely. Wages and salaries responded but slowly and imperfectly to the inflating influence of the redundant currency, and their nominal rise was far outstripped by the rise in the price of commodities. The similar experience in the North during the Civil War has been carefully studied on the basis of the exhaustive material at our command.² In the South the material is scanty, but what evidence there is points clearly to the fact that the price of labor advanced much more slowly than did that of commodities, and that the salaried class — for instance, the government officials — found it specially hard to make both ends meet.³

These civil officers of the Confederate government finally gained the ear of the Congress, and had their salaries doubled on January 30, 1864, a very slight concession to their needs, in view of the enormous inflation of the price of necessities, and in view of the fact that the increase applied only to salaries below \$2000, those between \$2000 and \$3000 were increased only 50%, and those above \$3000 not at all. Moreover, only the government employees in Richmond were concerned. A later law, that of June 14, 1864, granted a further increase of one-third to those in Richmond, and of one-fourth to those employed elsewhere. The Congress also correspondingly increased the annual salaries of its own members.

¹ *Richmond Examiner*, Sept. 8, 1863 (Mess. Gov. Va., Sept. 7, 1863); *Off'l Rec'ds Rebellion*, 4th S., I, 701-2 (Mess. Gov. Ala., Oct. 25, 1861).

² *Report of Aldrich Commission*, 52d Cong., 2d S., *Sen. Rep't*, 1394, pt. 1; cf. F. W. Taussig, *Yale Review*, II, 244 (Nov., 1893).

³ *Richmond Examiner*, Feb. 23, 1863 (Mr. Anderson in Va. H'se of R.); Jones, *Diary* (*passim*).

At the outset the Provisional Congress fixed the amount at \$2500; the Permanent Congress, in 1862, raised it slightly to \$2760, and doubled it in 1864.¹ Further attempts were made to increase the Congressmen's salaries, but they failed.² In the State legislatures we find some efforts were successfully made to raise the salaries of the civil servants.³

The soldiers in the field were not treated with equal consideration. By an act of March 6, 1861, the Confederate Congress fixed the monthly pay of privates in the army at \$11. As prices rose, this meagre pittance was complained of, not so much by the soldiers themselves, as by their friends in the State legislatures and in public meetings.⁴ The Confederate House of Representatives passed a bill in April, 1863, to increase the monthly pay to \$15, but no legislation resulted till June 9, 1864, when the amount was raised to \$18. A few weeks later, on June 30, 1864, the Federal Congress similarly increased the pay of privates from \$13 to \$16.

The rise in the cost of living led to many attempts by legislation and otherwise to fix a maximum price for leading commodities. When martial law was declared in the spring of 1862, the military authorities boldly fixed the limit of prices to be asked for articles of necessity like beef and pork, bacon, flour and meal, coffee, sugar, and salt. We have the record of such price schedules in New Orleans and Richmond.⁵ About the same time an elaborate tariff of prices was fixed for the States beyond the Mississippi,⁶ refusal to accept them being made punishable.

In South Carolina the legislature attempted to forbid

¹ Acts Mch. 11, 1861, Mch. 25, 1862, June 27, 1864.

² *Richmond Examiner*, Dec. 3, 13, 1864.

³ *Ibid.*, Dec. 17, 1863, Jan. 21, 1864 (Va.); Ga. acts Nov. 26, Dec. 7, 11, 1863.

⁴ *Richmond Examiner*, Apl. 21, 1863 (Ga. legisl.); Oct. 2, 1863 (Va. Sen.); Dec. 18, 1863 (Fla. legisl.); *N. C. Standard* (*passim*); *Richmond Examiner*, Apl. 15, May 1, 1863.

⁵ *Charleston Courier*, Apl. 4, 1862 (quoting *New Orleans Price Current*); *DeBow's Rev.*, II, 68 (1866); *Richmond Examiner*, Aug. 28, 1862; Jones, *Diary*, I, 128 (May 23, 1862).

⁶ *Off'l Rec'ds Rebellion*, 1st S., XV, 782 (June 2, 1862).

extortionate prices by the threat of fines and imprisonment, juries to determine the reasonableness of the prices asked.¹

The familiar device of price conventions was also adopted to counteract the influences that were driving up prices. When organized by the class of buyers, these conventions amounted merely to organized attempts to browbeat sellers, especially farmers, to reduce their exorbitant prices to a figure set by authority avowedly according to the cost of production. When organized by the class of sellers, these conventions passed resolutions in which the members pledged themselves to accept payment for goods at reduced prices, not to hoard specie or banknotes, and to invest their surplus earnings in Confederate bonds.² It is needless to say that Southern patriotism did not often express itself in this way. In one instance at a public meeting in Monroe County, Georgia,³ the farmers offered their surplus produce to the government at prices averaging about one-third of those in the open market. Such cases were rare. Usually it was the buyers who noisily declaimed against the extortionate farmers and their lack of patriotism,⁴ and insisted that the redundancy of the currency was as much due to high prices as *vice versa*.

Frequent efforts were made to legislate both in the Congress and in the State legislatures against extortion. In the former, various bills were introduced in 1863 and 1864 extending the impressment prices to all transactions, — that is, compelling the farmers especially to sell their produce at the prices set by commissioners in each State. None of these bills became a law, and one of them was adversely reported

¹ S. C. act Feb. 6, 1863; *Charleston Courier*, Dec. 15, 1862, Feb. 10, 14 (text of above act), 1863.

² *Off'l Rec'ds Rebellion*, 4th S., II, 809-10 (Sept. 17, 1863); *Charleston Courier*, Sept. 22, Oct. 13, 16, 1863; *Richmond Examiner*, Aug. 28, 1863; *Richmond Enquirer*, Oct. 6, 1863.

³ *Charleston Courier*, Jan. 23, 1864.

⁴ *Petersburg Express*, Sept. 23, Oct. 6, 1863; *Richmond Examiner*, Jan. 2, 1864 (Gov. Smith of Ga., inaugural address).

on by the Senate Judiciary Committee, and was defeated in the Senate by a large vote.¹

The opposition to such a measure was partly on constitutional grounds and partly on grounds of expediency. Some leading newspapers had before this time opposed the policy as sure to do more harm than good. Some claimed correctly that high prices were a stimulus to Southern industries, and that any attempt to forcibly lower prices would lessen production, as had been the result of impressing goods at government prices.²

In the Virginia legislature bills to suppress extortion were frequently discussed. Such a bill was considered early in 1863, those who favored its passage as usual blaming the extortioners and speculators for the extravagant prices prevailing at the time, which, it was said, compelled the government to increase its note issues. An observer declares that no action would be taken by the legislature, as most of its members were farmers, therefore sellers, and not anxious for a reduction of prices.³ In the following autumn a similar bill was considered.⁴ One State Senator opposed the bill on the ground of its futility, arguing that production should be encouraged, not discouraged, in order to cure the evils of extortion. He maintained his position notwithstanding the demands and instructions of public meetings of his constituents.

In North Carolina similar bills were considered, one as early as the fall of 1861, to punish with fines and imprisonment attempts to buy provisions in order to sell at "unreasonable prices." This and later bills were, it seems, never enacted. The opposition to the policy they represented very properly hinged on the dread that its adop-

¹ *Richmond Examiner*, Dec. 15, 1863; Nov. 11, 12, 15, Dec. 3, 1864; *Raleigh Progress*, Nov. 11, 14, 28, 1864; Jones, *Diary*, II, 329.

² *Knoxville Daily Register*, Dec. 14, 1862; Jones, *Diary*, II, 62 (Oct. 5, 1863); *Memphis Appeal*, Oct. 26, 27, 29, 1863.

³ *Richmond Examiner*, Jan. 30, 31, Feb. 2, 9, 1863; Jones, *Diary*, I, 252-3.

⁴ *Richmond Examiner*, Oct. 3, 8, 9, 13, 14, 1863; Jones, *Diary*, II, 68, 76, 77.

tion would encourage farmers to hoard their produce still more.¹

The futility of attempts to lower prices by legislation or by conventions, except by the removal of the cause of the inflation, the redundant currency, was clearly shown in the financial history of the American Revolution.² An even closer parallel to the experience of the South is presented by the history of price regulation during the French Revolution. We hear the same outcry against the unpatriotic farmer, who asked exorbitant prices for his produce. In 1793 maximum price laws were passed to counteract the inflation of the paper currency, which were repealed in the following year, but not before their disastrous effects were felt. Farmers withheld their produce from the markets, shops were closed, and business in general was paralyzed.³ The petitions presented to the French Assembly asking that body to fix the price of grain and to suppress the intermediaries between producers and consumers find their counterpart in the legislative history of the South during the Civil War.⁴ And the few who boldly opposed such a policy, on the ground that no law could compel a farmer to raise and sell produce at a price fixed by the government, if that price were unremunerative, were heard with little favor. The deputies who pointed out that a maximum price law would drive grain out of the market, and those who offered as the only remedy of the prevailing difficulties the removal of the *assignats*, had their speeches interlarded with cries of "À bas" and similar expressions of dissent.⁵

¹ *N. C. Standard*, Nov. 27, Dec. 8, 1863.

² Cf. Sumner, *Financier Am. Revol'n* (*passim*).

³ Blanc, *Hist. de la Révol'n*, XI, 407-8, 410-11, 422; Thiers, *French Revol'n* (Shoberl transl.), II, 256, 358, III, 124-5; White, *Fiat Money in France*, 55, 61.

⁴ *Le Moniteur*, XIV, 431, 517, 603, 639; XVI, 175, 222.

⁵ *Ibid.*, XVI, 245, 271, 280, 281.

CHAPTER X

THE MILITARY DESPOTISM OF THE CONFEDERATE GOVERNMENT

MARTIAL LAW AND THE SUSPENSION OF HABEAS CORPUS—OPPOSITION TO THE CENTRAL GOVERNMENT'S WAR POWERS—CONSCRIPTION—DESERTIONS—IMPRESSMENT—STATES RIGHTS SENTIMENTS—OPPOSITION TO PRESIDENT DAVIS AND HIS CABINET—THE POWERS OF THE PRESIDENT AND THE CONGRESS UNDER THE CONFEDERATE CONSTITUTIONS—THE PEACE PARTIES IN GEORGIA AND NORTH CAROLINA.

REFERENCE has been made to the Confederate reverses in the spring of 1862, and to their effect upon the government's credit. The capture of Fort Henry and Fort Donelson in February of that year was a great shock to the Southern cause, and led to the enactment by Congress of a law on February 27, 1862, which authorized President Davis to suspend the privilege of the writ of *habeas corpus* and declare martial law in such districts as he thought in danger of attack by the enemy. The act extended this power to him during the "present invasion," but, by a law of April 19, it was limited to thirty days after the next meeting of the Congress; it was also confined to arrests made by the central authorities and for offences against the Confederate States. On the basis of this authority President Davis at once, on March 2, declared martial law in Richmond and within ten miles of that city, suspending the writ of *habeas corpus*, superseding the civil authorities, with the exception of the mayor, by military authorities, and closing the distilleries and liquor stores.¹ During the following weeks similar proclamations were issued in the exposed and disaffected counties

¹ *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, p. 482; Pollard, *Davis*, 216; Jones, *Diary*, I, 113 (Mch. 5-9, 1862); *Charleston Courier*, Mch. 3, 1862; *Petersburg Express*, Mch. 4, 1862; Rhodes, *Hist'y U. S.*, III, 601-3.

of Virginia, in Memphis, and elsewhere;¹ and two months later further Virginia counties were added, also the part of South Carolina between the Santee and Edisto Rivers, which included the city of Charleston.²

At first the military despotism was not complained of. Here and there a voice was raised against suspending the power of civil authorities, as, for instance, by Vice-President Stephens himself,³ who insisted that the military should be subservient to the civil authority. But the Congress was not deterred from renewing, on October 13, 1862, the same privilege in the hands of the President. During the previous summer, however, an unsuccessful attempt had been made to modify the provisions for declaring martial law.⁴

During the next session of the Congress in the spring of 1863 there was some agitation for and against the principle of suspending civil jurisdiction,⁵ but nothing was accomplished till the following winter's session, which placed on the statute books so many desperate laws to meet the desperate condition of the Confederacy at the time. After considerable discussion the suspension of the writ of *habeas corpus* was, as before, extended during the invasion and to three months after the beginning of the next session of the Congress, namely, August 1, 1864. However, the Congress evidently wished to curb the despotic powers of the military authorities, for the suspension was limited to cases of treason, conspiracy, desertion, communicating intelligence to or trading unlawfully with the enemy.⁶

The act had aroused much opposition, especially, as we shall see, in North Carolina; and when it expired by limitation on August 1, 1864, it was not renewed. From that

¹ *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, pp. 493, 502, 517; *Petersburg Express*, Mch. 15, 1862; Fisher, *Yankee Conscript*, 76.

² Moore, *Rebellion Record*, V, 332; *Charleston Courier*, May 12, 1862.

³ Moore, *Rebellion Record*, Suppl., I, 676; Jones, *Diary*, I, 163 (Oct. 3, 1862).

⁴ Jones, *Diary*, I, 150, 157-8, 166, 169 (Aug.-Sept., 1862).

⁵ *Richmond Examiner*, Mch. 2, Apl. 13, 27, 1863.

⁶ Act Feb. 15, 1864; *N. C. Standard*, Jan. 19, Feb. 23, 1864; Moore, *Rebellion Record*, X, 227; *Charleston Courier*, Dec. 3, 1864.

time on no authority existed to suspend the writ of *habeas corpus*. In May, 1864, the Senate Judiciary Committee had reported against the advisability of re-enacting the suspension.¹ A week later² the resolution of the North Carolina legislature was presented to the Senate protesting against such a measure.

In Georgia the feeling against this last act to authorize the suspension of civil authority was particularly bitter. We hear of the legislature's unanimously passing a resolution which provided that a justice of any court refusing to grant a writ of *habeas corpus* should forfeit \$2500 to the aggrieved party.³ Governor Brown of Georgia championed the same cause in his message in March, 1864, but deprecated a conflict between the State's and the Confederacy's authority.⁴ The *Atlanta Constitutionalist* supported him in his opposition to the military despotism. But no one took stronger ground than Vice-President Stephens did in his famous address to the Georgia legislature on March 16, 1864,⁵ in which he declared the government's policy to be unwise, unconstitutional, and dangerous to public liberty. He advised the State to invoke the Congress to repeal the obnoxious act, and in the mean time to await the court's decision upon its constitutionality. As a result, the legislature did pass a resolution on March 19 condemning the suspension act, declaring it an assault upon popular liberty, an unwarranted usurpation of power, and void. It should be added that an attempt was made to adopt a resolution condemning the action of the Congress, and forty-one members of the legislature signed a protest against the above condemnatory resolution, holding that the suspension of civil authority was within the powers of the Congress, and that the courts should decide upon the constitutionality of the act.⁶

¹ *Richmond Examiner*, June 1, 1864.

² *Ibid.*, June 9, 1864; *Raleigh Progress*, May 26, 27, 1864.

³ *Richmond Examiner*, Feb. 3, 1864.

⁴ *Charleston Courier*, Mch. 14, 1864; *Raleigh Progress*, Mch. 16, 1864.

⁵ *Raleigh Progress*, Apl. 6-7, 1864; Cleveland, *Stephens*, 761.

⁶ *Off'l Rec'ds Rebellion*, 4th S., III, 279 (A. H. Stephens to H. V. Johnson);

It was fully realized by the authorities that it was worse than useless to attempt to foist this war measure upon the people in the face of such determined opposition led by such distinguished men as the Governor of Georgia and the Vice-President of the Confederacy.¹ In other States than Georgia a similar opposition to the military tyranny of the central government was expressed. Governor Clark of Mississippi voiced this feeling in April, 1864, and was sustained by the State legislature's passing a resolution objecting to the Confederate act in question.² In Virginia the newspapers took the same ground.³

During the last session of the Confederate Congress, which began on November 7, 1864, the question of suspending the writ of *habeas corpus* was once more discussed. Governor Brown of Georgia, however, again protested vigorously against an increase of powers being granted to the President,⁴ and the Virginia Senate⁵ considered the advisability of protecting the citizens of the State against the encroachments upon their rights by acts contemplated by the Congress. That body took up the matter at length in secret session. The Senate passed a bill authorizing the President to suspend civil authorities, but the House of Representatives — in which J. M. Leach of North Carolina and H. S. Foote of Tennessee, the leader of the opposition to the administration, were particularly active — refused to concur.⁶ During the last days of the Congress, the House of Representatives changed its attitude, and, at the President's

Raleigh Progress, Mch. 28, Apl. 6, 1864; *Charleston Courier*, Mch. 23, Apl. 2, 1864; *Richmond Examiner*, Mch. 17, 1864.

¹ *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, p. 648 (J. L. M. Curry to Secr'y War, Mch. 28, 1864).

² *Charleston Courier*, Apl. 7, 1864; Miss. resol'n, Apl. 5, 1864.

³ *Richmond Examiner*, Feb. 9, 1864; *Richmond Whig*, Dec. 10, 1864 (quoting *Augusta Chronicle & Sentinel*).

⁴ *Richmond Examiner*, Dec. 5, 1864, Gov. Brown's message (never transmitted owing to the advance of the Federal troops).

⁵ *Ibid.*, Dec. 14, 1864.

⁶ *Ibid.*, Dec. 6, 17, 19, 21, 23, 1864; *Richmond Whig*, Dec. 26, 1864; *Raleigh Progress*, Dec. 6, 8, 9, 1864; Feb. 7, 1865.

request, suspended by a close vote the writ of *habeas corpus*; but, on this occasion, the Senate refused its assent by a vote of 9 to 6.¹

41.72 The Confederate government, in suspending the functions of the civil authorities at various times and places during the war, did not employ this extreme war measure with the stringency characteristic of the similar line of policy adopted by the Federal government. In the North the relentless declaration of martial law was much more effectively and harshly used as a means of cowing the opposition and restraining the disloyal,² and met with a much greater popular support than would have been possible in the South, in view of the particularistic States rights notions prevalent in that section.

In North Carolina those sentiments were most strongly held, and led to a dangerous outbreak against the war powers of the central government at Richmond, not only in view of the suspension of the writ of *habeas corpus*, but also in view of the other war burdens put upon that State by conscription, impressment of goods for army purposes, and by heavy taxation. In the fall of 1862 Governor Vance sounded the alarm in his message to the State legislature,³ in which he declared the suspension of civil authorities to be a dangerous precedent. It granted the President too much power. He could see no good but many evil results from the Confederate act of October 13, just passed. The Governor's attitude met with general support.

No conflict between the Confederate and State authorities arose till the following year, when the North Carolina Supreme Court decided⁴ that it could issue writs of *habeas corpus*, and so secure the release of persons arrested and

¹ *Raleigh Progress*, Mch. 17, 18, 29, 1865; Jones, *Diary*, II, 450 (Mch. 15, 1865); Campbell, *Reminiscences*, 50, 54; *N. Y. Times*, Mch. 21, 23, 1865.

² S. G. Fisher in *Political Science Quarterly*, III, 454 (Sept., 1888); Rhodes, *Hist'y U. S.*, III, 486, IV, 229, 234, 417; U. S. act Mch. 3, 1863; Pres. Proclam'n, Sept. 24, 1862, July 5, 1864.

³ *Raleigh Progress*, Nov. 17, 27 (edit.), 1862.

⁴ *N. C. Standard*, June 16, 26, July 14, 1863.

held by the Confederate authorities. The conflict between the central and the State governments became serious. A private soldier was discharged on the ground of being above the age included in the conscription laws. He was arrested by the Confederate authorities, but released upon *habeas corpus* proceedings brought in the State court. He was again arrested by the military authorities, and this time released by a squad of State militia under orders from Governor Vance.¹ In return, a few weeks later a sheriff was not allowed to pass the military lines in order to serve a writ of *habeas corpus*. This was looked upon as a triumph of the military authorities over the State government, and aroused much feeling in the legislature against the Confederate government's ignoring the State Supreme Court.² Later in the year, a like conflict between the civil and military authorities³ resulted in a substantial victory for the former, the Secretary of War disapproving the encroachment upon the rights of the State authorities.

From the middle of 1863 on many public meetings were held, especially in the northwestern counties of the State, protesting vigorously against the suspension of the *habeas corpus*, as well as against the other excesses of the military despotism at Richmond. Such a meeting was even held in the city of Raleigh in May, 1864.⁴ At the election of the previous fall voters were appealed to by the various candidates for office on the plea that they stood for opposition to this tyranny. Later, this bitter feeling in North Carolina was intensified by the growing impression that the suspension of civil authority was aimed at North Carolina with a view to suppressing the alleged disloyalty of that State and preventing its seceding from the Confederacy.⁵

The State legislature gave utterance to this feeling by passing protest after protest, condemning the policy of super-

¹ *N. C. Standard*, June 16, 1863.

² *Ibid.*, July 7, 14, 1863.

³ *Ibid.*, Nov. 10, 17, 1863.

⁴ *Ibid.*, especially July–Sept., 1863, Jan.–Feb., Apl.–June, 1864.

⁵ *Ibid.*, May 24, 25, 1864.

seding civil with military authority as inadvisable and not calculated to strengthen the Southern cause, or on the ground of its unconstitutionality in overthrowing State sovereignty and civil liberty.¹ Strong language was used by the opponents of a centralized government, which, it was intimated, would not be allowed to enlarge its powers as it threatened to do.² A State law was passed on May 28, 1864, to secure the serving of writs of *habeas corpus*. The underlying motive was well expressed by a member of the State Senate:³ "instead of a confederacy of free and sovereign States, we have established a most powerful consolidated military despotism." The contradiction involved in a "confederation" of sovereign States waging war under a central authority, and the impossibility of effectively waging war except under a despotic military government, was brought out clearly in this North Carolina episode. Evidently Governor Vance came to see that he could not champion the cause of the South and at the same time be an uncompromising States rights man. Until 1864, however, he figured as the exponent of the rights of North Carolina as against the encroachments of the Confederate authorities. In his correspondence with the Richmond officials he deplored the suspension of the writ of *habeas corpus*, and even intimated that, if the State courts held it to be unconstitutional, it would be resisted.⁴ He also proposed to sustain, with the militia if necessary, the North Carolina courts, which, in the spring of 1864, were still granting *habeas corpus* and discharges to applicants among those who had furnished substitutes under the conscription laws, and were now drawn into the army under the act of January 5, 1864, which the State court held unconstitutional.⁵

¹ *Raleigh Progress*, May 26, 27, Dec. 10, 12, 13, 1864; Jan. 17, 1865; N. C. resol'n, Feb. 6, 1865.

² *Ibid.* Dec. 10, 1864, (edit.).

³ *N. C. Standard*, June 10, 1864.

⁴ *Off'l Rec'ds Rebellion*, 1st S., LL, pt. 2, p. 818 (Gov. Vance to Pres. Davis, Feb. 9, 1864).

⁵ Jones, *Diary*, II, 163 (Mch. 2, 1864).

We shall see that the growth of the North Carolina peace party compelled Governor Vance, after some vacillation, to side with the Confederate authorities.

Another cause of discontent, especially in North Carolina, was the adoption by the Confederate authorities of a policy of conscription in order to fill the ranks of the Southern armies. At first these were recruited by voluntary enlistment. The Congress, on March 6, 1861, authorized the President to call into the military service as many troops as he might deem necessary. On the following January 23 he was further empowered to call upon the States for troops to serve three years or during the continuance of the war. Bounties were offered to such volunteers by various local political divisions; and on December 11, 1861, a Confederate act was passed offering \$50 to volunteers for three years' service, granting to those re-enlisting the further favor of a 60-day furlough with free transportation to their homes and return. Bounties were relied upon to swell the armies, it will be remembered, during the Revolution and in the North during the Civil War.¹ The policy was continued during the war by the South,² but was found insufficient; and the Congress soon thought best to bring compulsion to bear, and authorized the President on April 16, 1862, to call out all male whites between the ages of eighteen and thirty-five for three years' service; those who had previously volunteered were compelled to serve three years from the date of their original enlistment.

On September 27, 1862, the President was further authorized to call out those between the ages of thirty-five and forty-five. He delayed doing so till July 15, 1863,³ evidently because the immediate danger of a Northern invasion in the fall and winter of 1862-3 was postponed till the defeat of General Lee at Gettysburg in July, 1863. At the next ?

¹ Continental Congress, acts June 26, Sept. 16, 1776; June 22, 1779; U. S. acts Mch. 13, 1863; July 4, 1864.

² Acts Jan. 16, Apl. 10, 16, 1862; Feb. 13, 17, 1864.

³ Moore, *Rebellion Record*, VII, 210; Jones, *Diary*, I, 381 (July 16, 1863).

crisis in the affairs of the Confederacy, after the battle of Chattanooga, the conscription act of February 17, 1864, increased the number of conscripts by including all male whites between seventeen and fifty years old. However, those between seventeen and eighteen, and those between forty-five and fifty, were to be enrolled in a reserve force for home defence, and were not to be required to serve outside of their respective States.

Negroes were employed in building the fortifications about Richmond;¹ later in the war they were more and more incorporated into the army; and by an act of February 17, 1864, all male negroes between the ages of eighteen and fifty were declared liable to work in building fortifications, producing war materials, or in some capacity in the army hospitals. The Secretary of War was, moreover, authorized to employ not more than 20,000 slaves, paying the owners an agreed price for their services, and indemnifying them in case the slaves escaped or were killed. If the number could not be obtained in this way, he was to impress them, free negroes to be taken first, and consideration being given to owners of a small number of slaves.

Toward the end of the war the pressure to fill the depleted ranks of the army became so great, that, at the direct instigation of President Davis and of Governor Smith of Virginia, and with the hearty approval of General Lee, an act was passed by the expiring Congress on March 13, 1865, enrolling slaves in the Confederate army, each State to furnish its quota, but not exceeding one-quarter of its slaves.²

The North was also driven to recruit its forces by conscription, though the policy was adopted a year later than in the South, and was never driven to such extremes.³

The power to conscribe is everywhere the attribute of a

¹ Jones, *Diary*, I, 237 (Jan. 14, 1863).

² *Richmond Examiner*, Dec. 9, 1864 (Gov. Smith's message, Dec. 7); Jones, *Diary*, II, 353 (Dec. 13, 1864); 432-3 (Feb. 18, 1865); *Raleigh Progress*, Mch. 16, 30, 1865.

³ U. S. acts Mch. 3, June 15, 1863; Feb. 24, 1864.

strong central government. Its exercise by the Confederacy necessarily aroused all the States rights feeling latent in the South. When the Congress was framing the first conscription act in the spring of 1862, the anomaly of a league of sovereign States waging war under the supreme leadership of the Confederate authorities, necessarily overriding the powers of the individual States, was clearly presented. Senator Oldham of Texas did not believe that the Congress had the power to draft persons into the military service, except through the intervention of the States. Senator Wigfall of Texas, who expressed himself as leaning strongly to the States rights doctrine, still could not admit that the Southern States were joined in a "loose league."¹ The difficulty of reconciling a strong military power with a loose federation of independent and sovereign States was clearly in his mind.

The Attorney-General aimed to overcome the constitutional difficulty involved by upholding the conscription act of April 16, 1862, in an opinion delivered soon after its passage. The question of the relation between the Confederate and State authorities was fully considered, and decided in favor of a strong central war power.² Judge Magrath of the Confederate District Court a month later sustained the constitutionality of the act.³ The courts of various States also upheld the constitutionality of conscription as a necessary war measure. Among these were the highest courts of Georgia, Alabama, Virginia, and Texas.⁴ The Georgia court⁵ mentioned the two views held of the powers of the Confederate government: some holding that conscription was within the range of powers delegated to the Congress, which was absolutely sovereign; others claiming that the central government was "wholly devoid of the attribute of sovereignty."

¹ *Charleston Mercury*, Apl. 2, 1862 (C. S. Senate, Mch. 29, 1862).

² Att'y-Gen'l Geo. Davis to Pres. Davis, May 16, 1862 (*Att'y-Gen'l's Opinions*).

³ *Charleston Courier*, June 30, 1862.

⁴ 33 Ga. 347; 16 Gratton, 470; 26 Tex. 386; 38 Ala. 429; 34 Ga. 28; *Off'l Rec'ds Rebellion*, 4th S., II, 177.

⁵ 34 Ga. 139.

The Alabama court combined these views by holding that the power to declare war and raise armies was one of the attributes of sovereignty which for good reasons had been delegated to the Confederate government.

✓ In practice, the conscription could not have been fully applied. As was the case in the North, many bought exemption by supplying substitutes. The price paid in August, 1863, was \$5000, and at the time it was claimed on the authority of official records that 60,000 substitutes were serving in the army.¹ Some months later laws were passed² forbidding those liable to military duty to hire substitutes, and compelling them to serve in the army despite their having previously furnished substitutes. The idea prevailed that the rich, for whom the war was being waged, were buying exemption from service in the army; while the poor, who had no slaves, and therefore had less at stake, were unable to free themselves from service.³ This legislation led to suits to test its validity, the petitioners claiming that by accepting substitutes the government had entered into a contract to relieve them from further military service. The State courts, however, refused to accept this interpretation,⁴ and, in the case of Texas, declared that the Congress could violate a contract, even though a State was forbidden by the Constitution to do so.

Many escaped military service by claiming to belong to the exempted classes provided for by law. Within a week of the passage of the first conscription act, on April 21, 1862, another was passed exempting from its operation large classes of persons. Beside those physically unfit for military service, all Confederate and State officials were excluded; as well as all persons engaged in marine, river, or railroad transportation; in iron mines, furnaces, and foundries; in woollen and cotton factories, — at the discretion of the Secretary of

¹ *Richmond Examiner*, Aug. 4, 1863.

² Acts Dec. 28, 1863; Jan. 5, 1864.

³ Jones, *Diary*, II, 30 (Sept. 1, 1863); North, *Five Years in Texas*, 167.

⁴ Moore, *Rebellion Record*, VIII, 329; *Petersburg Express*, Aug. 30, 1863; 16 *Gratton*, 470; 33 *Ga. Suppl.* 39; 39 *Ala.* 367; 27 *Tex.* 715.

War; all ministers, printers of newspapers, and teachers with twenty pupils or more; all officials of hospitals and asylums, and one apothecary in each drugstore. These liberal exemptions were further extended, on October 11, 1862, so as to include one white overseer for every twenty negroes on a plantation, — a provision thought necessary to guard against the withdrawal of whites from the country districts, and to insure the largest production of food products. The same act also drew the line of exemption more strictly by limiting the number to be exempted in a newspaper office or on a railroad; it also exempted only those postmasters that were appointed by the President; and declared those State officials subject to conscription who were by State law subject to service in the militia, — a neat way of meeting States rights objections.

Evidently the pressure to avoid conscription was very great; many sought to obtain exemption through the officials of the War Department or through the influence of Congressmen; some, it was said, through bribery; others hid themselves behind the provisions regarding the exempted local officials and mail carriers, whose number was enlarged in 1863.¹ The exemption of State officials gave room for a very general evasion of the conscription laws, and was amended on May 1, 1863, so as to include only those who the Governors of the States asserted were indispensable to the government of their respective States. In the later amendment of February 17, 1864, the President was given joint power with the governors in determining the number. Another class of exemptions that was amended by both these laws was that of the white plantation overseers. The 1863 act exempted one owner or overseer on each plantation with twenty slaves, provided he paid a tax of \$500; the later act substituted another proviso, namely, that such as were exempt should furnish to the government within one year 100 pounds of bacon for every slave, or its equivalent in other provisions

¹ *Off'l Rec'ds Rebellion*, 4th S., II, 415; Jones, *Diary*, I, 243 (Jan. 21, 1863); *Acts Apl.* 2, 4, 1863.

or in breadstuffs, and should contract to sell his marketable surplus of produce to the government at the price set by the State commissions under the impressment acts.

The number of such overseers relieved from military service must have exceeded 4000, for we are told on credible authority¹ that their number east of the Mississippi River was 3645. The total number exempted in this section is put at about 100,000; of these 61,167 were physically disqualified, 18,785 were State officials excused by the various Governors, 3086 were ministers, and 4982 were railroad employees. The exemption of so many minor State officials, such as justices of the peace and constables, led to an extensive and acrimonious correspondence between the War Department and the Governors of the States, especially of North Carolina, always ready to uphold the dignity of her sovereign powers.

Dissatisfaction with these wholesale exemptions was expressed in President Davis's message at the opening of the last session of the Congress in which he recommended abolishing all exemptions and conscribing all those able to bear arms, — a proposal declared by a North Carolina editor to strike at the root of civil liberty.² Governor Smith of Virginia followed with a like proposition aimed particularly at limiting the number of minor State officials, like justices of the peace, exempt from service, such being most numerous in North Carolina, as he claimed.³ It was about this time that Governor Smith himself was gaining notoriety by granting exemptions to similar Virginia officials, constables, sheriffs, and other minor officers.⁴

However numerous the exemptions were, they were outnumbered by the deserters from the Confederate ranks. Desertions began to attract general attention in the spring and

¹ *Raleigh Progress*, Jan. 31, 1865; see Jones, *Diary*, II, 335 (Nov. 21, 1864); *Off'l Rec'ds Rebellion*, 4th S., III, 869-70, 1112.

² *Raleigh Progress*, Nov. 1, 16, 1864.

³ *Richmond Examiner*, Dec. 9, 1864.

⁴ Jones, *Diary*, II, 332 (Nov. 17, 1864).

-summer of 1863. Pollard estimates¹ that by midsummer of that year one half to three-quarters of the Confederate forces had deserted and were stragglers, — a palpable exaggeration. As was natural, these deserters collected in the western counties of North Carolina, where they were difficult to apprehend, and where they were protected by the open hostility of the people to the military despotism at Richmond. Governor Vance made some efforts to prevent desertions, and was drawn into a correspondence with the War Department, which only gave both parties an opportunity for mutual recrimination; the Secretary of War reproaching the North Carolinians for tolerating the desertions, and their courts for virtually annulling the conscription laws by granting writs of *habeas corpus*; Governor Vance replying with protestations of North Carolina's loyalty to the Southern cause and with a refusal to coerce the courts. The State, he claimed, was in danger of being overborne by the Confederate authorities.² Deserters continued to collect in western North Carolina, and an attempt was made by Confederate troops to capture them, which only resulted in fanning the flame of discontent in the State.³

Beginning with the last of 1863, the number of deserters in Alabama grew rapidly. The northern part of that State became the gathering place of such disaffected soldiers, styling themselves "Southern Yankees," and apparently defying all efforts to scatter or arrest them.⁴ Similar bodies of "Tories" collected in the neighboring counties of Mississippi and Louisiana.⁵ Other States,⁶ like Georgia and South

¹ Pollard, *Davis*, 326.

² *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, p. 707 (Gov. Vance's proclam'n, May 11, 1863); p. 709 (the same to Pres. Davis, May 13, 1863); p. 714 (Sec'y War to Gov. Vance, May 23, 1863); p. 715 (Gov. Vance to Sec'y War, May 25, 1863); 4th S., II, 674, 732-4, 741, 769-74 (July-Aug., 1863); Jones, *Diary*, II, 34-6 (Sept. 6, 7, 1863); II, 42 (Sept. 12, 1863).

³ Jones, *Diary*, II, 28 (Aug. 31, 1863); *Raleigh Progress*, Sept. 12, 1863 (edit.).

⁴ Jones, *Diary*, I, 182; *Off'l Rec'ds Rebellion*, 1st S., XXVI, pt. 2, pp. 549-57; XXXII, pt. 3, p. 681; XXXIII, pt. 3, pp. 746-8, 761; 4th S., II, 253, 638.

⁵ *Ibid.*, 1st S., XXXII, pt. 3, pp. 625-7; 662-3, 711-13; XXXIII, pt. 3, p. 755; 4th S., II, 717; Jones, *Diary*, II, 86 (Nov. 2, 1863).

⁶ *Ibid.*, II, 28 (Aug. 31, 1863); 34-5 (Sept. 6, 1863); *Off'l Rec'ds Rebellion*, 4th S., II, 361.

Carolina, also had difficulty in restraining the bands of deserters that collected within their borders.

Notwithstanding the efforts of the government to quell disaffection in the ranks and prevent desertions, the latter continued in increasing proportions during the last year of the war, when many were compelled to desert not only from want of food and clothing, but also from the necessity of providing for their families.¹

The popular opposition to conscription did not confine itself to fuming protests against the "Military Despotism" or against the disregard of States rights,² but led as, in the case of the suspension of the *habeas corpus*, to dangerous conflicts between Confederate and State authorities. In his message recommending the passage of the first Conscription Act, President Davis had foreshadowed the possible embarrassment from such a conflict,³ and was soon after drawn into one with the Georgia authorities.⁴ The State courts had upheld the Conscription Act, but Governor Brown declared it to be unconstitutional, and refused to permit it to be carried out in Georgia, defying the Confederate authorities. A majority of a joint committee of the State legislature echoed the Governor's sentiments by declaring that the Congress had no power to conscribe citizens without the concurrent action of the States; the minority report declared it to be impolitic to oppose the action of the Congress. This feeling of opposition to the growing military tyranny was stimulated by Vice-President Stephens in his address before the Georgia legislature on March 16, 1864,⁵ already referred

¹ Act Jan. 22, 1864; *Off'l Rec'ds Rebellion*, 1st S., XLII, pt. 2, p. 1169; LI, pt. 2, p. 1038 (Gen. Lee's orders, & Gov. Vance's procl'm'n, Aug., 1864); p. 1064; XLIII (*passim*); XLVI, pt. 2, pp. 1141 & ss.; J. E. Johnston, *Narrative*, 423-4; Campbell, *Reminiscences*, 27-8, 30.

² 34 Ga. 139; Moore, *Rebellion Record*, Suppl. I, 352; *Richmond Examiner*, May 2, 1863.

³ Moore, *Rebellion Record*, 442-3.

⁴ Pollard, *Davis*, 211; *Petersburg Express*, Sept. 26, Nov. 27, 1862; *New England Mag.*, XI, 372 (Nov., 1891); *Raleigh Progress*, Dec. 1, 1862; *Off'l Rec'ds Rebellion*, 4th S., I, 1116-20, 1128-9, 1133, 1154-6; II, 2, 10 & ss., 128 & ss.

⁵ *Raleigh Progress*, Apl. 6, 1864; Cleveland, *Stephens*, 761.

to, in which he declared the whole system of conscription radically wrong and clearly unconstitutional.

In North Carolina the opposition to conscription was even more bitter. Public meetings held in August, 1863, and again in January, 1864, protested vigorously against the military despotism it engendered. These meetings were all held in the northwestern counties of the State. Their chief complaint was that North Carolina had already furnished more than her share of Confederate troops, and until the other States filled their quotas, conscription of North Carolinians was deprecated, especially when carried out by non-resident officials.¹ Popular feeling was also strong against the exemption of a planter with twenty slaves,²—a natural position for the inhabitants of western North Carolina to take, where the slaveholders were in the minority. The State legislature gave expression to the general resentment against the military oppression of the Confederate government by formally protesting against the policy of conscription, and later by passing a law in direct contravention of the act of the Congress, exempting millers, blacksmiths, and others from military service.³

Governor Vance of North Carolina sided with this popular movement against the encroachments of the central military powers. In his correspondence with the War Department he took frequent occasion to enter a protest against them. In 1863 he was particularly incensed by the conscription of local magistrates, calling it an annihilation of States rights. A little later he was indignant with a letter received from the Department intimating that the State courts were protecting deserters, and that the State was lukewarm in her attachment to the Southern cause. In 1864 the War Department again complained to him that a State judge was discharging from the service men who had supplied substitutes, on the ground that the acts of the previous winter were

¹ *N. C. Standard*, Aug., 1863, Jan., 1864 (*passim*).

² J. T. Leach to constituents, *ibid.*, Sept. 8, 1863.

³ *Richmond Examiner*, June 9, 1864; Jones, *Diary*, II, 439 (Mch. 4, 1865).

unconstitutional, to which Governor Vance replied that he stood ready to maintain the dignity of his courts, but also ready to leave the question of the constitutionality of the laws to the State Supreme Court, which was to meet in June, 1864. Soon after, he repeatedly advised the Department to meet the prevalent feeling in North Carolina by suspending conscription in the mountainous western counties, but to no purpose.¹

Another way in which the burdens of the war became intolerable was in the prevalent system of government impressments. The army did not rely for its supplies upon a voluntary sale of produce by farmers or dealers. At first, however, no compulsion was thought necessary to induce them to sell, but later the Congress was persuaded that the government could avoid paying the exorbitant prices demanded, and passed a law on March 26, 1863,² providing for boards of assessment to determine the value of impressed goods, if the owner and military authorities could not agree upon a price. The President and Governors co-operated in appointing such commissions to periodically publish official price schedules which the impressing officers followed in procuring supplies for the army. This policy aimed at encouraging an increase in the production of cereals and live stock, and the sale of the surplus produce to the government.³ We shall see below with what success this policy was carried out.

The price schedules were advertised in the newspapers, and were frequently amended, invariably by raising the official prices. However, these were always put below the level of the prevailing market prices, at first only slightly, but before the end of the war far below.⁴

¹ *Off'l Rec'ds Rebellion*, 4th S., II, 81, 87, 146-7, 375, 787; Jones, *Diary*, I, 292 (Apl. 14, 1863); I, 340 (June 3, 1863); II, 162-3 (Mch. 1-2, 1864); II, 190 (Apl. 21, 1864); *N. C. Standard*, July 22, 1864.

² Amended by acts Apl. 27, 30, 1863; Feb. 16, 17, June 14, 1864; Mch. 18, 1865; *Att'y-Gen's opinion*, July 26, 1863.

³ President's address to people, *Richmond Examiner*, Apl. 16, 1863.

⁴ Typical price schedules are found in the *Richmond Examiner*, May 29, July 22, Oct. 2, 1863, Aug. 4, Nov. 1, 1864; *Charleston Courier*, Sept. 22, July 9, Oct.

We have, of course, no means of telling the amount of goods impressed by the military authorities during the war. The enormous issues of paper money went largely to making such purchases. We hear in 1863 and 1864 of large supplies collected by impressment in various depots,¹ but at the same time we hear of the great difficulty General Lee and the other generals found in securing subsistence for their troops.² As the armies consumed the food on the farms within their reach, the fundamental difficulty of finding farmers who would raise and sell produce for a price forced upon them, far below the market price, and one at which they could not profitably raise the produce, however extravagant the figure appeared, became insurmountable; and toward the end of the war supplies became very precarious, and the troops suffered greatly. The system of impressment broke down completely; nothing could be bought by the government except with gold; but the government held no considerable amount of specie, and could only obtain it by the same system of impressment.³

The immediate effect of the above system of impressing goods, that is, of forcing the producers to dispose of them to the government at prescribed prices, is summed up by General J. E. Johnston⁴ when he says that "no one would

3, 1863, Oct. 25, Dec. 27, 1864; Jones, *Diary*, I, 337 (May 31, 1863); *N. C. Standard*, May 29, Aug. 4, Oct. 6, 1863, Dec. 18, 1864; *Knorrville Register*, June 26, 1863; *Off'l Rec'ds Rebellion*, 1st S., XXVI, pt. 2, pp. 206-7 (Sept. 4, 1863); XXXIV, pt. 2, pp. 811-12 (June 1, 1864); XL, pt. 3, pp. 766-8 (July 8, 1864); XLII, pt. 2, pp. 1152-3 (Aug. 1, 1864); XLII, pt. 3, pp. 1350-1 (Dec. 30, 1864); *Augusta Chronicle & Sentinel*, Feb. 3, 1865; *Gen'l Orders Adj.-Gen'l's Off.*, May 18, July 21, Aug. 24, Nov. 7, Dec. 7, 1863.

¹ *Off'l Rec'ds Rebellion*, 1st S., XXX, pt. 4, pp. 491-2 (Aug. 12, 1863); pp. 547-9 (Aug. 25, 1863); XXXIX, pt. 2, pp. 742-3 (Aug. 1, 1864); XLV, pt. 2, pp. 737-8 (Dec. 15, 1864); *N. C. Standard*, Sept. 8, 1863.

² *Off'l Rec'ds Rebellion*, 1st S., XXX, pt. 4, p. 550 (Sept. 4, 1863); XXXIII, pp. 1094-5, 1098-9, 1113-14, 1117, 1162 (Jan.-Feb., 1864); XLVI, pt. 2, p. 1040 (Jan. 12, 1865); p. 1211 (Feb. 9, 1865).

³ *Ibid.*, 1st S., XLVIII, pt. 1, pp. 1383-4 (Gen. E. K. Smith, Feb. 11, 1865); XLVI, pt. 2, pp. 1233-4, 1258, 1289 (Gen. Longstreet to Gen. Lee, Feb.-Mch., 1865); Campbell, *Reminiscences*, 44, 47, 54 (Mch., 1865).

⁴ J. E. Johnston, *Narrative*, 423; cf. *Off'l Rec'ds Rebellion*, 4th S., III, 594-7, 662 (Aug. & Sept., 1864), (H. V. Johnson to Sec'y Trenholm).

sell to the government, . . . when he could get from his neighbors twice the government price for his horses or grain." There are few things more difficult to do than to compel a man to sell against his wishes. This was fully illustrated in the case of the Southern farmer, who successfully met this attempt of the government to coerce him by simply withholding his produce from the market, preferring rather to hold it than to holding a mass of depreciating paper.¹ As the *Richmond Examiner* put it: "If the government induces the producers of grain and meat to bury it in the ground to keep it out of the way of its commissaries, the starvation and subjugation of the country are certain events."² The editor went on to show that the more the government seized without payment at the market rate, the higher would rise the price of produce. In fact, the producers had to insure themselves against the chance of impressment by adding to the price they asked in the open market. In March, 1863, the government seized the flour in the Richmond mills and warehouses; as a result the price of flour rose next day from \$30 to \$40 a barrel.³

A further effect of this attempt to compel producers to supply goods to the government at its arbitrary price was the discouragement it offered to production. Farmers naturally reduced their crops of cereals, when they were in danger of losing these to the government at an unremunerative price;⁴ so that production diminished, certainly in some parts of the Confederacy, and not as a result of the ravages of the war. The latter, of course, disastrously affected the border sections. Further light is thrown on this matter by the policy of discouraging the growth of cotton and tobacco, to which the farmers turned, these being articles less liable to govern-

¹ Jones, *Diary*, I, 194 (Nov. 21, 1862); *Off'l Rec'ds Rebellion*, 1st S., XXIX, pt. 2, p. 912 (Nov. 11, 1863); XXXIII, pp. 1113-14 (Jan. 21, 1864); XLVIII, pt. 1, pp. 1381-2 (Feb. 11, 1865); Monteiro, *Reminiscences*, 45-6.

² *Richmond Examiner*, Mch. 11, 1863 (edit.).

³ Jones, *Diary*, I, 267 (Mch. 4, 1863); cf. *Savannah Republican*, Mch. 25, 1863.

⁴ *Richmond Examiner*, Mch. 14, 1863 (edit.); *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, p. 1064 (Mch. 5, 1865).

ment seizure, and also offering tempting opportunities for speculation. But of this more below.¹

By turning to a system of impressment with which to supply the armies with food, the Confederate government reverted — as it did in the produce loan and tax in kind — to earlier industrial forms of exchange. In so doing it lost every advantage that accrues from the highly developed modern market and credit system. By interfering with and setting aside the free exchange of goods in an open market with a view to securing a sufficient and cheap supply of food, the government in reality deranged the conditions of supply so as to lessen the available amount. But more than this: by forcing out of activity the usual, automatic, and regulating factors of an open market, the government necessarily encouraged the kind of wastefulness which the modern industrial system aims to correct, and which it reduces to a minimum the more complicated its development becomes. In the South we have clearly presented the antithesis between industrial and military motives, their irreconcilable character. Moreover, the supply of food to the armies, a military necessity, was the more successful, the more it was actuated by industrial motives; the less room given to industrial forces as distinct from arbitrary military decrees, the less satisfactorily was the commissary department managed. The army suffered from want of food, though in the country at large there was no serious lack of it.

We hear of immense wastefulness in impressing goods, of collecting more goods than there was shelter for, of heaping up supplies at inaccessible points.² But especially frequent are the references³ to depots of provisions being neglected

¹ See pages 233 & ss.

² Jones, *Diary*, II, 191 (Apl. 22, 1864); *Charleston Courier*, Dec. 2, 1863 (corresp.); *Petersburg Express*, Sept. 18, 1862; *Richmond Examiner*, May 16, 1863 (edit.).

³ *Petersburg Express*, Sept. 18, 1862; Jones, *Diary*, II, 89, 103, 180, 401; *Off'l Rec'ds Rebellion*, 1st S., XXXIX, pt. 2, pp. 565-6 (May 1, 1864); XLVI, pt. 2, pp. 1295-6, XLVII, pt. 2, p. 1191 (Feb.-Mch., 1865); XXXIII, pp. 1076-80 (Jan., 1864).

and allowed to go to ruin by exposure. Quantities of corn, wheat, bacon, potatoes, and salt were thus destroyed. Elsewhere supplies which had been collected were lost or stolen through the carelessness of the railroads or the other transportation companies. There was a general feeling that the army was starving in the midst of plenty, and that there was an abundance of meat and grain in the country, if it could only be reached.¹

The arbitrary power the military authorities claimed, to seize property and pay for it below the market rate inevitably led to much oppression being inflicted under cover of the impressment laws. Soldiers seized property, though without authority to sign vouchers for it, and other irresponsible agents of the government preyed upon the people.² In Georgia these illegal impressments were particularly frequent. In the fall of 1863 Governor Brown urged the passage of a law to make impressment by unauthorized persons a felony punishable with ten years' imprisonment and thirty-nine lashes on the bare back. The legislature acted upon his suggestion, but without effect, for a year later the Governor issued a proclamation warning citizens against bands of Confederate cavalry which infested parts of the State, robbing and plundering under pretence of impressing goods for the army.³ The North Carolina legislature inveighed against these illegal impressments in a resolution passed in December, 1863; and in his message during the following spring Governor Vance repeated the charges⁴ against bands of straggling soldiers. He had remonstrated with the Confederate authorities, but to no effect; on the contrary, the evil had grown. In the Alabama and Virginia legislatures resolu-

¹ Jones, *Diary*, II, 171, 173 (Mch., 1864).

² *Off'l Rec'ds Rebellion*, 1st S., XXXI, pt. 3, pp. 677, 710-11 (Nov., 1863); LII, pt. 2, p. 696 (July 14, 1864); *N. C. Standard*, Nov. 24, 1863; *Richmond Examiner*, Dec. 5, 1863; *N. C. act*, Dec. 12, 1863; Fremantle, *Southern States*, 163.

³ Message, Nov. 5, 1863, in *Memphis Appeal* (published at the time in Atlanta), Nov. 9, 1863; *Ga. act* Dec. 14, 1863; Proclamation Nov. 24, 1864, *Augusta Chronicle & Sentinel*, Dec. 3, 1864; *Off'l Rec'ds Rebellion*, 4th S., II, 943.

⁴ *Ibid.*, 4th S., II, 1066; *Raleigh Progress*, May 19, 1864.

tions were introduced to restrain such forms of lawlessness,¹ and about the same time a bill was introduced in the Confederate Senate² with the same end in view. In the discussion which followed, Senator Brown of Mississippi held that in his State impressment had become mere robbery; and others were loud in their denunciation of the lawlessness of the military authorities.

Under the similar conditions during the French Revolution, exactly the same results followed the prevalent system of impressments.³ There was immense wastefulness in procuring government supplies, enormous quantities of subsistence or other commodities were accumulated in public magazines, and exposed to all sorts of speculation. Unauthorized persons made use of the impressment laws to prey upon the farmers, and revolts and insurrections were excited by such lawlessness. Much the same happened during the American Revolutionary War.⁴ The wholesale issue of paper currency drove the Continental Congress to the system of "specific supplies" and requisitions. The collection of food by impressment was attended with much waste and loss. While there was great abundance of provisions at one point, at another there was great lack, the latter largely due to the unwillingness of farmers to bring their produce to town.

The Confederate impressment laws aggravated the burdens of the war. They not only lessened the available supply of food by discouraging its being brought to market, but what agricultural products did reach the towns and cities were constantly in danger of impressment, and were often seized for government use at a price far below the market rate. This practice accentuated the scarcity of food products, created destitution in some sections, raised prices still further, and stimulated the bitterest feelings against the mili-

¹ *Augusta Chronicle & Sentinel*, Dec. 14, 1864; *Richmond Examiner*, Dec. 21, 1864.

² *Ibid.*, Nov. 18, 25, 1864.

³ Thiers, *French Revolution* (Shoberl transl.), III, 126; *Révolution de Paris*, no. XII, Sept. 27, 1789, p. 16; Montgaillard, *State of France in 1794*, pp. 35-6.

⁴ Sumner, *Financier Am. Revolution*, I, 141-2, 154, 239-45; White, *Money & Banking* (1895), 143.

tary authorities,¹ especially for interfering with goods on their way to market.

Such exercise of arbitrary power by the military and central government necessarily led to a conflict with the State governments that opened the eyes of even the States rights *doctrinaires* to the possibilities of a centralized military despotism. Minor conflicts of this kind arose. A South Carolina court had ordered certain goods sold, the Confederate authorities intervened and impressed them.² In Virginia a judge granted an injunction preventing the impressment of flour; and some time later, a Grand Jury took up the matter and memorialized the Secretary of War.³ In Georgia the opposition to impressment took on a more threatening attitude. The Governor opposed the policy in his letters to the War Department, and was supported by the State Supreme Court, which held that the Confederate authorities were obliged to pay for impressed sugar at a fair valuation and not at a price fixed arbitrarily, and that the impressment law was unconstitutional. A collision between the two governments was threatened,⁴ but averted, possibly by the amendments to the law on February 16-17, 1864, which aimed to systematize the methods of impressment. But the State authorities of Georgia continued to oppose the centralizing tendencies which were yielding up their autonomy to the growing military despotism in Richmond. They were much encouraged in this by the attitude taken by such men as Vice-President Stephens and Senator Toombs, and found a ready mouthpiece in their Governor, who persistently upheld the rights of the State which he thought were being violated

¹ Jones, *Diary*, I, 301 (Apl. 29, 1863); II, 56 (Sept. 29, 1863); II, 103 (Nov. 23, 1863); Gov. Bonham's message, *Charleston Courier*, Sept. 24, Oct. 2, 1863; *Richmond Examiner*, Jan. 16, 1863 (Confed. H'se of Rep's, Jan. 15, 1863); Nov. 3, 1863; *Richmond Whig*, July 21, 1864; *N. C. Standard*, Oct. 28, 1863; *Gen'l Orders Adj.-Gen'l's Off.*, Mch. 19, 1863.

² *N. C. Standard*, Jan. 12, 1864 (edit.).

³ Jones, *Diary*, I, 279 (Mch. 24, 1863); II, 101 (Nov. 21, 1863).

⁴ *Ibid.*, II, 99, 111 (Nov.-Dec., 1863); *Richmond Examiner*, Dec. 5, 1863 (corresp.); Dec. 16, 1863.

by the growing power of the President.¹ In a letter dated April 18, 1864, the Vice-President, though disclaiming any feeling of personal opposition to President Davis, strongly expresses the conviction that the latter is aiming at dictatorial powers, and that he has signally departed from his former States rights views.²

In North Carolina these States rights sentiments were still stronger. Frequent public meetings, after the spring of 1863, passed resolutions protesting against the encroachments of the Confederate upon the State government. Instead of a Confederacy of free and sovereign States, the remonstrants found themselves living under a powerfully consolidated military rule.³ We hear of protests⁴ against Confederate interference with Congressional elections.

Some thought that there was very little to choose between the despotic rule of President Davis and that of President Lincoln, and that the Southern despotism was quite as bad as the Northern.⁵ One shrewd observer,⁶ as early as April, 1861, saw clearly the contradiction implied in the Southern Confederacy's attempting to wage war without an overbearing central authority. He wrote: "If the Southern States are to adhere to the old distinct sovereignty doctrine, God help them one and all to achieve their independence of the United States." Even at that time, before the dimensions of the war had become apparent, there were many who thought all State lines could be advantageously obliterated; otherwise, incessant conflicts between the States, and be-

¹ Jones, *Diary*, II, 193-4 (Apl. 27, 1864); II, 395 (Jan. 6, 1865); *Memphis Appeal* (Atlanta), Oct. 27, 1864; Gov. Brown's messages, *Raleigh Progress*, Mch. 16, Dec. 3, 1864, Mch. 4, 1865; *N. Y. Times*, Mch. 8, 1865.

² *Off'l Rec'ds Rebellion*, 4th S., III, 279-80 (A. H. Stephens to H. V. Johnson).

³ *N. C. Standard*, May, 1863-Aug., 1864 (*passim*), esp. June 10, 1864; *Raleigh Progress*, Jan. 4, 1864 (edit.), May 9, 1864; Moore, *North Carolina*, II, 189; Eggleston, *Recollections*, 193-4; *Augusta Chronicle & Sentinel*, Dec. 7, 1864 (edit.).

⁴ *N. C. Standard*, Dec. 8, 15, 1863.

⁵ Jones, *Diary*, II, 304 (Oct. 12, 1864); *Richmond Examiner*, Apl. 19, 1864 (edit.).

⁶ Jones, *Diary*, I, 24 (Apl. 18, 1861).

tween the State and the Confederacy, would arise. There was no need, it was said, to keep up the cumbrous machinery of State governments, the Confederate government would be a sufficiently heavy burden to carry.

E. A. Pollard, the editor of the *Richmond Examiner*, was the bitterest opponent of President Davis's assumption of power, and persistently attacked him as dictatorial, while belittling the work of the Congress. The latter, he claimed, merely recorded the wishes of the President.¹ In the Congress, Representative H. S. Foote of Tennessee was the leading opponent of President Davis and his Cabinet, and distinguished himself toward the end of the war by attempting to enter the Federal lines and negotiate a peace upon his own responsibility.² He was not alone in his attitude, for it was about this time that the Congress sent a delegation to the President to demand the resignation of all the members of his Cabinet excepting Secretary Trenholm. This remonstrance resulted in Secretary of War Seddon's yielding his place to General Breckenridge. The other members of the Cabinet Mr. Davis would not allow to be disturbed.³ A year earlier the similar antagonism to Secretaries Memminger and Benjamin had led to the introduction of a bill,⁴ vacating the office of a Cabinet officer every two years, upon which the Senate Judiciary Committee reported favorably.

Alexander H. Stephens, who, as we have seen, played no small part in opposing the centralizing influences of the war, declared before the Reconstruction Committee in 1866 that the enthusiasm of the Southerners for the war declined "from the operation of the war among themselves, and the results of the conflict from their own authorities on their individual rights of person and property, the general break-

¹ Alfried, *Davis*, 328; Pollard, *Galaxy*, VI, 749, 754 (Dec., 1868); Pollard, *Davis*, 160, 162-3, 416; Jones, *Diary*, II, 449, 454 (Mch., 1865).

² Pollard, *Davis*, 204-5, 418, 439-440; Jones, *Diary*, II, 113 (Dec. 9, 1863); II, 359, 391, 397, 404; 410 (Jan.-Feb., 1865).

³ Jones, *Diary*, II, 415, 421, 422 (Feb., 1865); *Raleigh Progress*, Feb. 4, 20, 1865 (Speaker Boocock to the public, Feb. 11, 1865).

⁴ Jones, *Diary*, II, 116, 132 (Dec., 1864-Jan., 1865).

down of constitutional barriers which usually attend all protracted wars.”¹ A newspaper writer during the war, though opposed to the Vice-President’s policy, confirms the latter’s statement with these words: “The success of the cause is embarrassed by the trammels of a constitution designed and constructed for the development of a people in time of peace, but which fetters the present conflict of life and death.”²

It is a striking fact that, with the opportunity offered them to freely amend the Federal Constitution, and with the prospect of a war before them, the framers of the Confederate Constitution did not enlarge their President’s powers in the direction of increasing his authority as military commander-in-chief. The right to suspend the writ of *habeas corpus* was left as vague as in the instrument they copied,³ and this, as we have seen, led to difficulties during the war. Similarly, the other war powers of the administration — the right to conscribe, to call out the State militia, and to impress goods for the army — were left uncertain.⁴ The Montgomery Convention of 1861 did, however, greatly enlarge the powers of the President in other directions. The leading changes made in the United States Constitution by that body had reference to remedying some apparent defects in the working of the Federal government in times of peace. So, for instance, as a preventive of “log-rolling” the President was empowered⁵ to veto any appropriation and approve any other in the same bill, a provision introduced into the recent Constitutions of a considerable number of States.⁶

Presumably the President found few occasions to exert this power, but under the war conditions for which the Confederate Constitutions did not distinctly make provision his

¹ 39th Congress, 1st S., *H’s Rep’t*, 30, pt. 3, p. 159 (Apr. 11, 1866).

² *Petersburg Express*, Jan. 27, 1864.

³ *U. S. Const’n*, I, 9, 2; *Confed. Provis’l Const’n*, I, 7, 2; *Confed. Perm. Const’n*, I, 9, 2.

⁴ *U. S. Const’n*, II, 2, 1; *Amendments*, III–V; *Confed. Provis’l Const’n*, II, 2, 1; I, 7, 11–13; *Confed. Perm. Const’n*, II, 2, 1; I, 9, 14–16.

⁵ *Confed. Provis’l Const’n*, I, 5, 1; *Confed. Perm. Const’n*, I, 7, 2.

⁶ Beside those mentioned in Stimson, *Am. Statute Law*, I, 79, § 310, the *Del. Const’n*, 1897, III, 18; the *S. C. Const’n*, 1895, IV, 23.

powers were similarly enlarged by Congressional action, so as to authorize him to transfer parts of appropriations from one to another object within a department, whose head asked for such a transfer. This authority was yielded only during the continuance of the war.¹ A later law² gave the President and the Secretary of War power to distribute 57 millions of dollars among the large items of army expenditure. A similar law during the recent Spanish-American war will occur to the reader.³

Another direction in which the Confederate Constitution of 1862 enlarged the President's power was in lengthening his term of office and that of the Vice-President to six years and forbidding their re-election, a change proposed by R. B. Rhett of South Carolina, the chairman of the committee to revise the United States Constitution, from whom most of the important changes emanated.⁴ Moreover, the President was given distinct authority⁵ to remove at his pleasure the principal officer in each executive department, and all persons connected with the diplomatic service; in the case of dismissing other officials, he was to report the facts to the Senate.

In this connection it is well to point out that the Confederate Constitutions lessened the power of the Congress as they increased that of the President. The permanent Constitution provided that —

“Congress shall appropriate no money from the treasury except by the vote of two-thirds of both Houses, taken by yeas and nays, unless it be asked and estimated for by some one of the heads of departments and submitted to Congress by the President; or for the purpose of paying its own expenses and contingencies; or for the payment of claims against the Confederate States, the justice of which shall have been judicially declared by a tribunal for the investigation of claims against the Gov-

¹ Confed. act May 14, 1861.

² Confed. act Aug. 21, 1861.

³ U. S. act Mch. 9, 1898.

⁴ *Confed. Perm. Const'n*, II, 1, 1; Stephens, *War between the States*, 338. ✓

⁵ *Confed. Perm. Const'n*, II, 2, 3.

ernment, which it is hereby made the duty of Congress to establish.”¹

This immense curtailment of the money-spending power of the Congress, of course, did not make itself felt during the war, when the President and the Congress were in harmony in that particular. In times of peace, however, the inevitable conflicts would necessarily have led to far-reaching results. Other and minor restrictions upon the powers of the Congress forbade extra compensation being voted to government contractors or officials;² and required every law to relate to but one subject, and that subject to be expressed in the title.³ This last provision to smother “omnibus bills” was utterly ineffective, inasmuch as all important laws of the Confederate Congress, like those of other legislatures, necessarily covered a variety of subjects, few of which could be specified in the title. Nevertheless, such a provision is a favorite device to block ill-advised legislation, and was recently introduced into the constitution of the Australian Confederation.⁴

In enlarging the powers of the President, and curtailing those of the Congress, the framers of the Confederate Constitutions had in mind not only remedying certain defects in the United States government in times of peace, but also aimed to borrow some distinctive features of the British cabinet system. The permanent Constitution provided that—

“Congress may, by law, grant to the principal officer in each of the Executive Departments a seat upon the floor of either House, with the privilege of discussing any measures appertaining to his Department.”⁵

This radical amendment to the Federal Constitution was proposed in the convention by A. H. Stephens.⁶ He urged a

¹ *Confed. Perm. Const'n*, I, 9, 9; cf. *Confed. Provis'l Const'n*, I, 7, 6.

² *Confed. Perm. Const'n*, I, 9, 10.

³ *Ibid.*, I, 9, 20.

⁴ *Polit. Sc. Quarterly*, XIV, 671, 678 (Dec., 1899).

⁵ *Confed. Perm. Const'n*, I, 7, 2.

⁶ Stephens, *War between the States*, 338-9.

further extension of the British system by requiring the President to appoint the members of his Cabinet from among the members of the Congress. In this he did not succeed, nor is it clear that the above provision of the Constitution was taken advantage of. To be sure, Mr. Memminger's private secretary tells us that at times "he was engaged in the Senate, where, upon all questions affecting the financial interests of the government, he had a voice."¹ But, as he is speaking of the year 1861, when the Provisional Constitution was still in force, no authority existed at the time for a cabinet officer's taking part in the discussions of the Congress; moreover, no Confederate Senate existed before February, 1862, when the two Houses of the Permanent Congress were instituted. Another writer says that seating the heads of departments in the Congress worked well in the legislative history of the Confederacy.² However, this is insufficient evidence over against the fact that bills to carry into effect the Constitutional provision were repeatedly considered, but never passed.³ Evidently the Congress was not over-anxious to invite members of the Cabinet or other leading officials to their deliberations; nor could the former have tried to gain admittance in view of the personal attacks which awaited them there, and which, as it was, spent themselves in abusive oratory and newspaper criticism.

One cause of complaint against President Davis and his despotic powers had reference to his calling out the State militia and thereby, as it was claimed, ignoring the rights of the individual States. Governor Brown of Georgia figures as one of the leaders in this movement, and in his vituperative correspondence with the War Department he, on the one hand, blamed the administration for not preventing General Sherman's advance in the fall of 1864, and, on the other hand, he refused "to gratify the President's ambition . . . and to

¹ Capers, *Memminger*, 322.

² J. L. M. Curry in *Galaxy*, XVII, 402 (Mch., 1874).

³ *Charleston Courier*, Mch. 24, 1862; Mch. 12, 1863; *Richmond Examiner*, Nov. 10, 1864; *Rules of Senate*, 1864.

surrender the last vestige of the sovereignty of the State by placing the remainder of her militia under his control." In reply to his attacks, the Department tried to pacify Governor Brown without compromising the interests of the Confederate government. The incident offers a striking illustration of the inherent weakness of the Confederate authorities, when facing the particularistic interests and convictions of the States.¹

A similar conflict arose between the Confederate authorities and the Governor of Texas. In this case General Magruder persuaded Governor Murrah to disregard the State organization of troops.² In Mississippi the confusion in the military organization³ weakened the effective strength of the army, created dissensions, relaxed discipline, and encouraged desertions.

In keeping with North Carolina's attitude toward the central authority at Richmond, that State also asserted her independence in military matters. In February, 1862, the State Convention called upon the President to return the North Carolina troops for home defence; and in the following winter Governor Vance announced his policy of organizing independent troops for the defence of the State.⁴ Much concern was felt at this attempt to interfere with the Confederate army organization. Said one paper: "It will be time enough to distract the councils of the South about imaginary violations of constitutional law by the supreme government when our independence is achieved, established, and acknowledged. It will not be till then that the sovereignty of the States will be a reality."⁵ The North Carolina House passed a bill for the separate enlistment of

¹ Jones, *Diary*, II, 292, 318, 341 (Sept.-Nov., 1864); *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, pp. 727, 736, 754, 760, 764, 778, 796, 803 (Aug., 1864-Jan., 1865).

² *Ibid.*, XXXIV, pt. 2, pp. 1090-5, 1103; pt. 3, pp. 727, 747-8, 789 (Mch.-Apl., 1864).

³ *Ibid.*, XLV, pt. 1, p. 1247 (Nov. 25, 1864).

⁴ *Ibid.*, LL, pt. 2, p. 471 (Feb. 13, 1862); Jones, *Diary*, I, 198-9 (Nov. 29-30, 1862).

⁵ *Petersburg Express*, Dec. 19, 1862.

10,000 men for home defence, but the State Senate rejected it to the satisfaction of the Confederate authorities and the chagrin of the States rights partisans who openly claimed that they loved the Confederate States and the cause of the South, but loved their State more.¹

In September, 1863, Governor Vance threatened to recall the North Carolina troops from service in other States;² and during the rest of the war there were other outbursts of this particularistic feeling.³ North Carolina troops, it was claimed, should primarily serve for the defence of the State, not for the purpose of assuming the responsibilities of the Confederate government. At the very close of the war Governor Vance became involved with President Davis and General Johnston in a discussion about his right to treat with General Sherman.⁴

In Virginia the relations between the State and Confederate authorities were less strained. However, some feeling was aroused by the President's forming the provisional State troops into a Confederate army, breaking up the organization of the regiments, and supplying new officers.⁵

✓ The appointment of non-residents of a particular State in the civil or military service of the Confederacy aroused the bitterest States rights feelings. In Georgia it wounded people's feelings to have their goods impressed by others than natives of the State,⁶ but, as usual, we hear most of such complaints from North Carolina, whose Governor in the fall of 1862 was emphatic in resentment that his State's troops were officered by strangers.⁷ Moreover, he claimed that residents of other States were being appointed to administer the odious Confederate conscription and tax laws in North Caro-

¹ *Raleigh Progress*, Dec. 27, 1862; Jan. 3, 14, 27, 30; Feb. 2-3, 1864.

² *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, p. 764-5 (Sept. 11, 1863).

³ *N. C. Standard*, Dec. 12, 1863; Jones, *Diary*, II, 126 (Jan. 10, 1864).

⁴ *Off'l Rec'ds Rebellion*, 1st S., XLVII, pt. 3, p. 792, 811 (Apl., 1865).

⁵ Va. ordinances, Apl. 27, 1861; Russell, *Diary*, 306 (June 16, 1862); *Raleigh Progress*, Mch. 10, 1863.

⁶ Jones, *Diary*, II, 92 (Nov. 15, 1863).

⁷ Gov. Vance's message, Nov. 17, 1862, *Raleigh Progress*, Nov. 19, 1862.

lina, and was constantly wrangling with the Richmond authorities.¹ The frequent public meetings held in the western counties of the State after the middle of 1863² also protested against this "foreign" domination, and urged people "if you have the right to rule in this State, to say so."

The friction between the State and Confederate governments was also increased by the latter's interfering with inter-State commerce. So, for instance, the Governor and Council of South Carolina forbade the exportation of cotton except by permission of either governments. To this Secretary Memminger objected, and as a result the prohibition was suspended.³ Similarly the Attorney-General declared unconstitutional an act of Virginia, and one of South Carolina⁴ forbidding distilleries, which prohibition interfered with the Confederate government's establishing distilleries in those States to supply the army and navy with whisky. About the same time the North Carolina legislature called upon Governor Vance to suppress the distillery in Salisbury operated by the Confederate government.⁵ A similar conflict arose in Georgia.⁶

North Carolina had previously evinced the same particularistic spirit in a State ordinance of February 21, 1862, which taxed liquors sold in the State but manufactured elsewhere, \$1.00 a gallon, while those of domestic manufacture were taxed only 30 cents. Toward the end of the war the State became involved in a controversy with Virginia owing to the seizure of a locomotive and train hired by North Carolina to transport salt from Saltville in Virginia. In retaliation Governor Vance forbade the exportation of goods from North Carolina

¹ *Raleigh Progress*, Aug. 12, 1863 (edit.); Jones, *Diary*, II, 39 (Sept. 10, 1863); 176 (Mch. 24, 1864); *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, p. 818, 824, 830, 844 (Feb.-Mch., 1864); 4th S., II (*passim*).

² *N. C. Standard*, July, 1863-Aug., 1864 (*passim*).

³ *Charleston Mercury*, Apl. 23, 1862.

⁴ *Attorney-General's Opinions*, Dec. 18, 1862; Mch. 7, 1864; *Off'l Rec'ds Rebellion*, 4th S., III, 879 (Att'y-Gen'l to Sec'y Navy, Mch. 7, 1864).

⁵ *Raleigh Progress*, Nov. 28, 1864.

⁶ *Off'l Rec'ds Rebellion*, 4th S., II, 218 (Sec'y War to Gov. Ga., Nov. 29, 1862).

to Virginia, but yielded gracefully when the Governor of Virginia called his attention to the unconstitutionality of the measure.¹

Another cause of irritation between the States and the Richmond authorities were the latter's restrictions upon the State governments engaging in speculation by chartering vessels to export cotton and import supplies on account of the State. Four State legislatures memorialized the Congress upon this matter in April, 1864, claiming that the central government had no right to restrict trade in this way.² In Georgia a bill was introduced in the legislature forbidding the Confederate government's interfering with steamers sailing on State account,³ and in December, 1864, Governor Bonham recommended⁴ the purchase of vessels abroad in order to avoid such interference. A similar conflict arose between the Texas and Confederate authorities.⁵ But, as usual, in the case of North Carolina the conflict was most pronounced. Early in 1861 Governor Vance arranged with the central authorities to clothe the North Carolina troops. For this purpose he imported foreign goods and machinery. To this practice the Secretary of the Treasury objected in 1864, when the Government was perfecting its embargo policy, and aroused the bitterest feeling in North Carolina.⁶ The State's attempts to profit by blockade-running continued to interfere with the Confederate government's speculations in the same line, and was a fruitful source of animated correspondence between the two governments.⁷ In the last session of the Congress⁸ there was some talk of yielding to the States' importunities and exempting the cargoes owned by States from the restrictions on exports and imports.

¹ *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, pp. 1056, 1058, 1061 (Jan.-Feb., 1865).

² Moore, *Rebellion Record*, VIII, 596.

³ *Richmond Examiner*, June 3, 1864.

⁴ Gov.'s message, *Augusta Chronicle & Sentinel*, Dec. 2, 1864.

⁵ *Off'l Rec'ds Rebellion*, 1st S., XXXIV, pt. 3, pp. 730-2, 734.

⁶ N. C. resol'n, May 25, 1864; Jones, *Diary*, II, 126, 290 (1864).

⁷ *Off'l Rec'ds Rebellion*, 1st S., XXXIII, p. 1223; LI, pt. 2, pp. 828, 837, 841 (Mch., 1864); Gov. Vance's message, *Raleigh Progress* (May 19, 1864).

⁸ *Richmond Examiner*, Dec. 3, 6, 1864.

Still another phase of the friction between the State and central government is presented by the Confederate taxation of State bonds.¹ A decision of the Confederate court in South Carolina stood in the way of the Congress taxing money invested in State bonds. At least the war tax of August 19, 1861, was for that reason not collected from investments in South Carolina bonds. The Secretary of the Treasury evidently was chagrined at the outcome,² but could offer no remedy, as the decision could only be reversed by the Confederate Supreme Court, which had not yet been constituted.

An early act of the Confederacy, that of March 16, 1861, provided for the establishment of the Confederate courts. A Supreme Court was to hold annual sessions at the seat of government; and its appellate and original jurisdiction were defined in similar terms to those applying to the Federal Supreme Court. District Courts were established in each State by this act, and were at once constituted.³ Of these the one in South Carolina, over which Judge A. G. Magrath — formerly of the United States Circuit Court — presided, became by far the most important. L. K. M.

There was evidently some hesitation at organizing a Supreme Court at once; and on July 31, 1861, the previous act of March was amended to prevent the Supreme Court's meeting till authorized to do so by the Congress. So matters rested for a year and a half. But early in 1863 a bill was introduced by Senator Hill of Georgia to formally organize the court. It was fully discussed, and passed the Senate in amended form on March 18, repealing the appellate jurisdiction of the court. The House, however, buried the measure. The opposition to constituting a Supreme Court centred about the centralizing tendencies it embodied, which, it was said, would inevitably bring on a conflict between the Con- F. 97.

¹ *Richmond Examiner*, Dec. 16, 1864 (Va. Senate, Dec. 15).

² *Capers, Memminger*, 448-9 (Report, Jan. 10, 1863; *Charleston Courier*, Jan. 23, Apl. 21, 1862.

³ *Ibid.*, Mch. 18, 20, Apl. 15, 30, 1861; Acts May 21, 1861, Jan. 29, 1862.

federate and the State governments. The notion of constituting a Supreme Court with appellate jurisdiction over the highest courts of the States was distasteful to the advocates of States rights, though Senator Yancey held that the Constitution did not grant the Supreme Court such power, except in cases where the States levied import duties.¹

In the next session of the Congress a further attempt was made to pass a similar bill, but again the opposition to a centralized government prevailed. The argument that the States would not submit to such a court because subversive of State sovereignty was successfully used.² At the same time the advocates of States rights in North Carolina were defending their position by claiming that, in the absence of a Confederate Supreme Court, the State governments could decide for themselves the extent of the central government's powers.³

Evidently the Congress deliberately avoided establishing a Supreme Court, as they were directed to do by the Constitution, in view of the particularistic feeling which such an enlargement of the central authority would have necessarily stimulated.⁴

The citizens of North Carolina, as has been shown, were foremost in opposing such centralization of power in Richmond. Among them were many whose attachment to the Southern cause was hardly more than nominal, and who, after the second year of the war, grew restive under its burdens and demanded a cessation of hostilities. The frequent public meetings held in the western counties of the State after the middle of 1863 passed many resolutions demanding an honor-

¹ Jones, *Diary*, I, 243 (Jan. 21, 1863); *Charleston Courier*, Jan. 28, Feb. 5, 6, 27, Mch. 18, 1863; *Raleigh Progress*, Mch. 18, 1863; *Richmond Examiner*, Feb. 6, 1863; *Charleston Mercury*, Mch. 25, 1863; *Pub's So. Hist. Ass'n*, IV, 83 (Mch., 1900).

² *Richmond Examiner*, Dec. 17, 1863.

³ J. G. Ramsay to voters, Oct. 16, 1863 (*N. C. Standard*, Oct. 28, 1863); the claim was repeated in a resolution introduced a year later in the State Senate (*Raleigh Progress*, Dec. 14, 1864).

⁴ Cf. *So. Hist. Ass'n Pub's*, IV, 83-93 (Mch., 1900).

able peace and favoring "the constitution as it is and the Union as it was."¹ In the spring of 1864 the same feeling was evidenced in Mississippi,² and in January, 1865, Georgia, on the authority of Governor Brown,³ was ready to accept any terms of peace she could obtain. The destructive operations of General Sherman made the burdens of the war doubly intolerable.

This desire for peace expressed itself in the concrete proposal to elect or appoint peace commissioners to treat with the Northern authorities. Such proposals were made as early as December, 1862, and were particularly favored by the States rights parties in Georgia and North Carolina.⁴ They were finally acted upon by the Confederate authorities in February, 1865, when three peace commissioners were despatched to meet President Lincoln and Secretary Seward at Fortress Monroe. The conference, it will be remembered, led to nothing.⁵

One of these peace commissioners, Vice-President Stephens, had at the outset opposed secession, and during the war, as we have seen, voiced the opposition to the military absolutism. In the fall of 1864 he leaned to making an effort at negotiating peace, and was willing to restore the old *régime* on the basis of States rights and a guarantee of the right of property (in slaves). The position he took made a sensation, and brought on him and Governor Brown of Georgia, who of course sided with him, the attacks of the administration newspapers.⁶

¹ *N. C. Standard*, July, 1863-Aug., 1864 (*passim*).

² *Off'l Rec'ds Rebellion*, 1st S., XXXII, pt. 3, pp. 625-7 (Judge R. S. Hudson to Pres. Davis, Mch. 14, 1864).

³ *Raleigh Progress*, Jan. 5, 1865.

⁴ Jones, *Diary*, I, 200 (Dec. 1, 1862); Moore, *Rebellion Record*, VII, 500; Greeley, *Am. Conflict*, II, 664; *Charleston Courier*, Mch. 23, 1864 (Ga. peace resolutions, Mch. 19); *N. C. Standard*, Nov. 26, 1863, Feb. 4, 1864; *Raleigh Progress*, Oct. 21, 1864 (corresp.).

⁵ Greeley, *Am. Conflict*, II, 675; *Richmond Examiner*, Dec. 17, 19, 1864; *Raleigh Progress*, Jan. 31, Feb. 2, 1865.

⁶ Cleveland, *Stephens*, 694, 696, 832; *Raleigh Progress*, Oct. 4, 5, 10, 22, 1864; *Augusta Chron. & Sentinel*, Dec. 2, 1864 (edit.).

The proposal of a peace commission was exploited by the States rights advocates, who demanded that action should be taken by the States in their sovereign capacity and independently of the Confederate government. In Georgia this demand for a convention of States was frequently made in the newspapers, and finally led to Governor Brown's advocating it, like the Governor of Mississippi, in his message of February, 1865.¹ In North Carolina the frequent public meetings after July, 1863, demanded a State convention for the purpose of bringing about peace. The right to negotiate peace was claimed for the State in its sovereign capacity. The relation of the States to the Confederate government, it was said, was very different from its old relation to the Federal Union.² One correspondent,³ even, went so far as to suggest that the State should send ambassadors to Washington.

✓ An Alabama and a South Carolina newspaper similarly advocated a convention of the States in the fall of 1864; and a few months later the *Richmond Examiner* followed suit.⁴ This newspaper had strongly opposed Representative Foote's resolution in the Confederate Congress, which he offered in January, 1863, and again in November, 1864, in favor of referring to the sovereign States any peace proposition submitted by the Federal government. This was defeated in the Congress by a large majority, as was a similar resolution offered by J. T. Leach of North Carolina.⁵ A similar resolution was defeated⁶ in the North Carolina legislature.

In framing the Confederate Constitutions the familiar

¹ *Atlanta Register*, quoted in *N. C. Standard*, Nov. 20, 1863; *Augusta Chron. & Sentinel*, Oct. 16, Nov. 9, 1864; *Raleigh Progress*, Jan. 11, 1865, quoting *Augusta Constitutionalist* and *Augusta Chron. & Sentinel*; Gov. Brown's message in *Raleigh Progress*, Mch. 4, 1865; Jones, *Diary*, II, 436 (Feb. 28, 1865).

² *N. C. Standard*, July, 1863-Aug., 1864 (*passim*), esp. Jan. 19, 1864; *Raleigh Progress*, Dec. 13, 1864, Jan. 21, 1865.

³ *N. C. Standard*, July 21, 1863.

⁴ *Raleigh Progress*, Oct. 1, 1864 (edit.); *Augusta Chron. & Sentinel*, Jan. 27, 1865; Jones, *Diary*, II, 381 (Jan. 9, 1865); *Richmond Examiner*, Mch. 2, 1865.

⁵ Jones, *Diary*, I, 238 (Jan. 14, 1863), II, 346 (Dec. 3, 1864); *Richmond Examiner*, Dec. 3, 1864; *Raleigh Progress*, Nov. 17, 23, 29, 1864.

⁶ *Ibid.*, Nov. 29, Dec. 15, 1864, Jan. 4, 1865.

Southern States rights notions had prevailed. The preamble to both instruments emphasized that the several States were acting in their "sovereign and independent" character in forming the Confederacy; and the permanent Constitution even gave the State legislatures the power to impeach any Confederate officer resident or acting within that State.¹

The necessities of the war accentuated the powers of the central government in a way that brought little comfort to those who hoped to escape the yoke of Federal authority in seceding from the Union. The States rights men soon found themselves "fighting to free themselves from the tyranny of Lincoln to become subjects of a monarch of their own unintentional creation."²

The logical corollary of the right of secession from the Union in 1861 was the right of individual States to similarly withdraw from the Confederacy during the war. The threat to secede was frequently made, for instance, in North Carolina. Even Governor Vance, in December, 1863, threatened to call out the State militia for defence against the detached bodies of Confederate troops which infested the State,³ and earlier in the year⁴ it had been feared that the legislature contemplated taking the State out of the Confederacy. Public meetings held in the State passed resolutions declaring North Carolina to be as independent as when she entered the Confederate States,⁵ and, in general, those who opposed the military despotism and favored peace made good use of the secession arguments of 1860-1 to serve their purpose. Representative Leach wrote to his constituents:⁶ "What was loyalty in one man three years ago, in advocating the dissolution of the old Union, is treason in another now; and if there be any reconstructionists they certainly have the precedent of the secessionists by which to prove their loyalty."

¹ *Confed. Perm. Const'n*, I, 2, 5.

² *Raleigh Progress*, Feb. 13, 1863 (edit.).

³ *Jones, Diary*, II, 119 (Dec. 25, 1863).

⁴ *Raleigh Progress*, June 15, 1863 (edit.); *Jones, Diary*, I, 340 (June 4, 1863).

⁵ *N. C. Standard*, Sept. 4, 1863 (meeting in Grenville County, Aug. 29, 1863).

⁶ *Ibid.*, Sept. 8, 1863; cf. Oct. 20, 1863 (corresp.).

The *Raleigh Progress*, of which W. W. Holden was editor, expressed the same views: "If North Carolina had the right to break off from the Federal Government, by an act of her convention, she has the relative right to break off from Mr. Davis's government."¹

We have seen how North Carolina, especially the western section, was lukewarm in her attachment to the Southern cause, and resented bearing the burdens of the war put upon her. A very large party in the State, the so-called "Conservatives," objected to the heavy sacrifices they were called upon to make presumably for the benefit of the slave-holders, for whom it was felt the war was being waged, and most of whom were residents of other States. The cotton States were blamed for breaking up the old Union without good cause, and for showing themselves incompetent to manage the affairs of the new government.² W. W. Holden, the leader of the North Carolina peace party, had agitated before 1860 for the taxation of slaves by an *ad valorem* tax,³ and in the summer of 1863 organized a party in the State which caused the Richmond authorities some uneasiness, though Governor Vance minimized its importance at first.⁴ The *Raleigh Progress*⁵ maintained that the State was loyal. By September, 1863, however, the public meetings in the western counties to protest against the military despotism and the burdens of taxation, and to favor peace, had become so numerous and evidenced the strength of the popular movement of resistance to the Confederate authority that Governor Vance issued a proclamation, on September 7, calling upon the people not to "seek to cure the evils of one revolution by plunging the country into another."⁶ Public feel-

¹ *Raleigh Progress*, Jan. 23, 1865 (edit.); cf. *ibid.*, July 12, 1864 (edit.).

² *N. C. Standard*, Oct. 16, 1863 (P. T. Henry to voters, Sept. 26, 1863).

³ Moore, *Hist'y N. C.*, 137.

⁴ Davis, *Davis*, II, 452-4; *N. C. Standard*, July 24, 1863; *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, pp. 739-40 (Davis-Vance correspondence); *Petersburg Express*, Aug. 27, 1863.

⁵ *Raleigh Progress*, Sept. 7-9, 26, 1863.

⁶ *Ibid.*, Sept. 8, 1863; *Petersburg Express*, Sept. 10, 1863; *Off'l Rec'ds Rebellion*, 4th S., II, 794.

ing ran high on both sides, and was further intensified by Holden's newspaper office being sacked by some Confederate soldiers.¹ Governor Vance demanded the punishment of the military officers present at the assault. He was evidently much influenced by the occurrence or by the popular feeling it aroused, and came out strongly in favor of negotiating a peace with the North as the only means of removing the discontent in North Carolina. His letter of December 30, 1863, to President Davis advising action on these lines was answered with a flat refusal, in view of the futility of expecting peace without complete subjugation of the South and emancipation of the slaves, and also with an urgent request to put down any movement against the Confederate authority in his State.²

Before this correspondence was published—in June, 1864—Governor Vance changed his attitude toward peace negotiations. His re-election was approaching, and presumably he preferred standing as a supporter of the Confederate administration to standing as a representative of the peace party. The latter perfected its organization in the numerous meetings held after the middle of 1863 to protest against the burdens and excesses of the war; and was strengthened by the position taken by Vice-President Stephens and by Governor Brown of Georgia. The party stood for the immediate attainment of peace on terms of independence, and, if these were impossible, for peace on the best terms to be had; it was opposed to the "last man and last dollar" principle. One of its leading organs said: "If the people of North Carolina are for perpetual conscriptions, impressments, and seizures to keep up a perpetual, devastating, and exhausting war, let them vote for Governor Vance, for he is 'for fighting it out now;' but if they believe, from the bitter experience of the last three years, that the sword can never end it,

¹ *N. C. Standard*, Oct. 2, 1863; Jones, *Diary*, II, 45 (Gov. Vance to Pres. Davis, Sept. 16, 1863).

² *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, pp. 807-8; *Richmond Examiner*, June 1, 1864; *N. C. Standard*, June 10, 1864; Davis, *Davis*, II, 454-5.

and are in favor of steps being taken by the States to urge negotiations by the general government for an honorable and speedy peace, they must vote for Mr. Holden.”¹

The position of neither party was perfectly clear. Holden, though favoring peace, distinctly stated that he did not favor the State's seceding from the Confederacy, adding, however, that if he did, he would be no more treasonable than the majority were in 1860-1.² Governor Vance, on the other hand, while anxious and willing to champion the cause of the State against the encroachments of the military power, strongly opposed calling a State convention for the purpose of furthering peace negotiations, and urged Governor Brown to prevent such a convention in Georgia.³ Finally, in February, 1865, he issued a proclamation⁴ rehearsing the story of the peace party in the State, and advising resistance to the last.

In the mean time Governor Vance had been re-elected in August, 1864, receiving 58,070 votes to Holden's 14,491.⁵ This result was accepted as a triumph of the war party, and was intensified three months later by the defeat of General McClellan in the Presidential election in the North. The Democratic convention at Chicago had aroused general interest throughout the South; and the party's platform, which coquetted with those who favored an early termination of the war, was accepted as a hopeful sign. President Davis was even advised to respond to the overtures of the Democrats, if they won in the November elections.⁶ The re-election of President Lincoln dissipated the last remnants of hope of attaining a peace by mutual concession. The rapid decline in the value of Confederate notes and bonds indi-

¹ *Raleigh Progress*, June 7, 1864 (edit.).

² *N. C. Standard*, June 4, 1864 (edit.).

³ *Raleigh Progress*, Apl. 20, May 19, July 5, Dec. 2, 1864; Jones, *Diary*, II, 290 (Sept. 22, 1864); *Off'l Rec'ds Rebellion*, 1st S., XLVI, pt. 2, pp. 1093-5 (Jan. 18, 1865).

⁴ *Off'l Rec'ds Rebellion*, 1st S., XLVII, pt. 2, pp. 1187-92 (Feb. 14, 1865).

⁵ *Raleigh Progress*, Oct. 6, 1864; Moore, *Hist'y N. C.*, II, 264.

⁶ Jones, *Diary*, II, 275 (Sept. 1, 1864); *Raleigh Progress*, Oct. 7, 1864 (W. W. Boyce to Davis, Sept. 29, 1864); *Democratic Platform*, Aug. 29, 1864.

cated the popular estimate of the chance of saving any vestige of the government from the impending wreck.

As J. F. Rhodes has pointed out,¹ the Union sentiment surviving in the South during the war was insignificant. The outbreak of hostilities united the South in support of secession. Here and there we find traces of attachment to the Federal cause, but almost always in sections that were overrun by Northern troops.² Enough has been said about the growing opposition to the Confederate military despotism to indicate that, aside from the insignificant number of outright supporters of the Union cause, there was a considerable minority out of sympathy with the methods and objects of the central government, a minority which would have welcomed the end of the Confederacy before 1865. It is to be noted that Holden, the leader of the North Carolina peace party, was appointed Governor of the State by President Johnson.³ It was not unreasonable for Francis P. Blair, one of the Northern peace commissioners, to count on the political disintegration of the South if the war continued beyond the spring of 1865.⁴ In fact, a student of Confederate history wonders at the persistency of the political no less than of the military organization of the Confederacy which sustained itself for four years against overwhelming force from without as well as the disintegrating force from within.

If McClellan had been elected President, or if one of the foreign powers had intervened in the conflict, the Confederacy might have escaped the immediate fate that befell it. But it is very questionable whether it could have avoided the inevitable results of the disintegrating forces which the organization of its government involved and which the course

¹ Rhodes, *Hist'y U. S.*, III, 405, 407; cf. Pollard, *Davis*, 117-18; also Carl Schurz's evidence, Dec., 1865 (39th Cong., 1st S., *Sen. Exec. Doc.* no. 2); Peyton, *Am. Crisis*, I, 21-4, 69.

² *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, p. 343; LII, p. 283; VII, p. 699; Dubose, *Yancey*, 562; Greeley, *Am. Conflict*, II, 53; Jones, *Diary*, II, 86.

³ Moore, *Hist'y N. C.*, II, 304; Andrews, *South since the War*, chaps. XV-XVI.

⁴ *Off'l Rec'ds Rebellion*, 1st S., XLVI, pt. 2, pp. 1037-9; LI, p. 1094; *Southern Hist'l Soc. Papers*, III, 168 (Apl., 1877); Campbell, *Reminiscences*, 21, 30.

+ of the war accentuated. Texas' organic connection with the Confederacy was merely nominal. Other States, as we have shown, resented the interference of a strong central government. With the unifying influence of the war no longer active, the cohesiveness of the Confederacy would necessarily have been lessened. Whether this would have led to a separation into its constituent parts, the cotton section and the border tier of States, or into the commercial, manufacturing, and agricultural sections, is a guess hardly worth more than suggesting. Of one thing we may be sure: the Confederacy could not have survived in the form in which it was instituted. This contained elements of weakness, which the Southerners were forced by the exigencies of the war to correct, thereby contradicting their cherished principles of government.

CHAPTER XI

SPECULATION AND TRADE IN THE SOUTH

SPECULATION IN GOLD, AND THE MOVEMENT TO SUPPRESS IT — GOVERNMENT SPECULATION IN GOLD AND COTTON — THE FEDERAL BLOCKADE — BLOCKADE-RUNNING — IMPORTS AND EXPORTS — IMPORT AND EXPORT DUTIES — TARIFFS AND PROHIBITION OF IMPORTS — EMBARGOES — PROTECTIONIST MOTIVES — GOVERNMENT IMPORTS AND EXPORTS — TRAFFIC THROUGH THE MILITARY LINES.

AT the beginning of the war there was a strong disposition to economize. Consumption, especially of luxuries, was hemmed; and on every hand the exigencies of the war led to retrenchment of personal expenditure.¹ The rising inflation of the currency began to stimulate business in the second year of the war, and from then on produced a fictitious commercial activity quite unusual in the South. It was a repetition of the familiar experience with an inflated and fluctuating price level. With the value of the currency constantly falling, and the price of commodities rising, the holder of notes felt the strongest incentive to turn them into commodities. The longer he held the notes, the less they would buy. The rising market invariably led to the wildest speculation, into which every one was necessarily and unconsciously drawn. At the time some clearly saw that the redundancy of the notes was fostering this speculation, that "the currency made the speculators," and not that "the speculators ruined the currency."² Others, however, blamed the speculators for being the worst enemies of the Southern cause. It

¹ Cf. *Richmond Examiner*, Feb. 19, 1863 (edit.).

² Pollard, *War in America*, 245; Davis, *Rise & Fall*, I, 491; Eggleston, *Recollections*, 82; DeLeon, *Rebel Capitals*, 235-6; *Richmond Examiner*, Apl. 15, 1863.

was claimed that they were depreciating the currency and inflating prices from their insane desire for gain.¹

Exactly the same views were taken in the French Assembly in 1792 and 1793; the inflation of prices and general stoppage of business was ascribed to the avaricious speculators and monopolists.² It has been a common practice to blame the speculator for the evils resulting from a deranged currency, when, in point of fact, the latter puts a premium upon aleatory, mere gambling ventures, and supersedes legitimate business with unbridled speculation. The experience of Austria and Italy during their periods of suspension is instructive in pointing out the inevitableness of an irredeemable and redundant note issue's leading to this result.³

Speculative business in the South encouraged by the redundant currency was only in part based on local differences in price. Such differences existed of course, for instance in the gold premium, and offered alluring opportunities for successful speculation. But these local differences within the Confederacy — the differences between the Northern and Southern price level will be considered below — were insignificant compared with the violent price fluctuations during successive weeks and months, which supplied the chief incentive to the wild speculation that characterized the South during the war. With prices constantly rising, it seemed impossible to lose by any venture, and all seemed to grow rich by investing their notes in commodities, and selling these at an advance. The mania affected young and old alike, and extended to every kind of commodity. As one observer put it: "Every man in the community is swindling everybody else."⁴

¹ *Richmond Examiner*, May 9, 1863 (edit.); June 7, 1863 (edit.); Dec. 4, 1863; Nov. 7, 1864 (edit.); *Charleston Courier*, Aug. 28, 1863 (quoting *Richmond Sentinel*); *Augusta Daily Constitutionalist*, June 16, 1863; *Richmond during the War*, 193.

² *Le Moniteur*, XI, 198, 228; XIII, 341; XV, 430-1; XVII, 278.

³ A. Wagner in *Deutsches Staatswörterbuch* (1862), VII, 671; *Finanz-Archiv*, XI, 89-90 (1894); *Jahrb. f. Nat. Oek. & Stat.*, XXXVIII, 271 (1882).

⁴ *Richmond Examiner*, Mch. 31, 1863 (edit.); Apl. 20, Nov. 20, 21, 1863; Jones, *Diary*, I, 288 (Apl. 8, 1863); Fremantle, *Southern States*, 179.

As had happened during the French Revolution, many invested in real estate and other objects of supposed permanent value, buying from those who were anxious to obtain notes with which to speculate in other directions.¹ In keeping with the experience of the Frenchmen, the Southerners found it more difficult to keep than to acquire notes. Many bought cotton, which became a favorite means of insurance against a further depreciation of the notes, and was adopted especially by those who counted confidently on the downfall of the Confederacy. Some of these persons appeared in the United States Court of Claims after the war, demanding indemnity for their cotton destroyed by the Federal troops under General Sherman, and claiming to have been loyal to the Union or in some cases to have invested their indebtedness to Northerners in cotton.² We shall hear more about speculation in cotton in connection with attempts to run the blockade and the trade between the belligerents.

The prevalence of speculation in gold aroused much feeling in the South, as it did in the North. Dealers in specie were denounced as traitors who were injuring the credit of the government by depreciating its notes.³ One newspaper editor thus appeals to the speculators: "In the name of patriotism, justice, and reason, we appeal to the people to look on and value a dollar in Confederate money as a dollar, and fix their prices accordingly." Many proposals were made to forbid the speculation in gold;⁴ and, curiously, the French experience of 1793 was referred to⁵ as proving that legislation could prevent such traffic, when, in point of fact, both the French experience and the similar experience in the

¹ White, *Fiat Money in France*, 63; *Richmond Dispatch*, Apl. 5, 1862; *Richmond Examiner*, Nov. 5, 1863; *Savannah Republican*, Mch. 25, 1863.

² 3 Nott & Huntington, 52-5; 4: 1, 319, 417; 5: 311, 346, 549; 6: 294, 323; 7: 130.

³ *New Orleans Picayune*, Mch. 9, 1862, quoted in Barker, *Rebellion*, 111; *Charleston Courier*, Mch. 27, 1862; *Raleigh Progress*, Oct. 9, 1863 (edit.).

⁴ *Charleston Courier*, Dec. 3, 1863, quoting *Montgomery Advertiser*; *Richmond Examiner*, Dec. 17, 25, 1863; Jan. 2, 1864 (Gov. Smith's inaugural address).

⁵ *Richmond Examiner*, June 30, 1863; cf. U. S. acts June 17, July 2, 1864; White, *Fiat Money in France*, 57-8, 60, 64.

North in 1864 irrefutably proved the uselessness of such legislation. Indeed, the Federal prohibition was repealed within fifteen days from its enactment.

A few voices were raised in the South against the policy of forbidding trade in specie on the ground that such traffic neither could nor should be stopped.¹ Those who favored the prohibition were more outspoken, and pushed numerous bills to that effect in the Congress and especially in the Virginia legislature, but the bills were never passed. The penalties proposed were extreme.²

No effort was made to prevent speculation in specie except by the occasional order of a provost-marshal in sections under martial law.³ Such speculation continued till the end of the war, when the government itself was drawn into speculation in gold, accumulating a supply of specie, which was thrown upon the market in exchange for treasury notes, thereby spasmodically lowering the gold premium.⁴ Governor Smith had proposed a similar policy to the Virginia legislature a few months before.⁵ It was inevitable that the government should be drawn into the craze, and still more inevitable that officials who held government funds should yield to like temptations. With prices constantly rising it was natural that such officials invested government funds in merchandise on their private account, as the postmasters and lottery agents were led to do in Italy a few years later, and as was the practice of similar officials in China four hundred years ago.⁶ Such dealings must have been general in the South as early as 1862, when the regulations of the subsistence department and General Lee's general orders were aimed at

¹ Barker, *Rebellion*, 112-13; *Charleston Courier*, Sept. 15, 1863 (W. W. Boyce to J. D. B. DeBow).

² *Richmond Examiner*, Dec. 15, 25, 1863; *House Journal*, Jan. 23, 1865 (*Confed. Archives*); Jones, *Diary*, II, 361, 373, 378; *Richmond Examiner*, Sept. 1, 5, 12, 14, Oct. 13, 1863; Dec. 20, 1864.

³ *Charleston Courier*, Apl. 7, 1862 (quoting *New Orleans Price Current*).

⁴ Jones, *Diary*, II, 373, 378, 398 (Jan., 1865); *Richmond Examiner*, Jan. 25, 1865; *Richmond Enquirer*, Feb. 14, 1865; *So. Hist. Soc. Papers*, IX, 545 (1881).

⁵ *Richmond Examiner*, Dec. 9, 1864.

⁶ *Finanz-Archiv*, XI, 87 (1894); *Journal Asiatique*, 3e S., IV, 454 (Nov., 1837).

army officers who bought supplies for the purpose of selling them again at a profit.¹ In the following year the practice became so general that the Congress passed a law to punish officers who speculated in food, clothing, or in war materials.² The law could not have been effective, for such trading by government officials continued, and aroused much hostility.³ It was claimed that members of Congress were engaged in dealing in government supplies; and even the Secretaries of the Treasury, Memminger and Trenholm, it was said, were personally interested in blockade running.⁴ The latter accusation was no doubt based on a misunderstanding of the attempts of those officials to trade on government and not on their private account.

During the first months of the war it was frequently suggested that the government should obtain control of the entire supply of cotton in the Confederacy not only with a view to coercing foreign powers into recognizing the Southern government, but for the purpose of deriving a large revenue from the anticipated rise in the price of that staple.⁵ Though some of the leading newspapers urged such a stupendous commercial enterprise upon the government, it was not favored by the administration. When a few years later cotton had reached enormous prices in England, Secretary Memminger was loudly blamed for not having seized and exported all obtainable cotton at the outbreak of hostilities. It was said that he could have bought cotton with notes or bonds at seven cents a pound, and could have shipped it abroad before the blockade became effective, and established a credit with

¹ *Regul'ns Substist. Dep't*, 1862, §§ 896, 901; *Gen'l Orders Dep't No. Va.*, Nov. 14, 1862.

² Jones, *Diary*, I, 288 (Apr. 8, 1863); Confed. act May 1, 1863.

³ Jones, *Diary*, II, 3, 132; *Richmond Examiner*, Sept. 15, 1863 (bill in Va. H'se of Del's); *Off'l Rec'ds Rebellion*, 1st S., XLIX, pt. 1, p. 967 (letter to Pres. Davis, Feb. 9, 1865).

⁴ Pollard, *Davis*, 308; *Richmond Examiner*, Feb. 9, 1864 (quoting *Columbian Carolinian*); Jones, *Diary*, I, 299; *Charleston Courier*, Dec. 29, 1864.

⁵ Russell, *Pictures of Southern Life*, 13; *Richmond Enquirer*, Oct. 4, 11, 12, 15, 1861; *Richmond Examiner*, Oct. 23, 1861; *New Orleans Delta*, Oct. 9, 1861; *Charleston Mercury*, Oct. 10, 1861.

the foreign bankers for an indefinitely large amount, reaching over one thousand millions of dollars in the estimation of some.¹ These critics did not show where the Secretary could have found ships to carry the cotton to Europe before the Federal fleet closed the Southern ports, or where he could have obtained at such short notice the means with which to buy the cotton from planters.

The Confederate government never could have entered into such a gigantic scheme. But it was evidently drawn into speculations of lesser dimensions, which apparently were first frowned upon by the authorities, but were later tolerated. These were carried on especially in Texas, where we find it not an uncommon practice of government agents to invest treasury notes in cotton, transport it into Mexico, sell it for gold, and reinvest in notes.²

The State governments, and, as we shall see, especially North Carolina, were interested in cotton speculation. Governor Vance had bought 15,000 to 20,000 bales by the end of the year 1862, which he hoped to hypothecate in Europe. During the following years he carried on extensive operations for his State government, of which we shall hear more below.

To return to private speculation prevalent during the war: the popular feeling against it was often expressed in an assault upon the Jews, who were said to be the most offensive participants and to be treacherously undermining the credit of the government.³ The conviction was general that the speculators were driving up prices and thereby lowering the value of the government notes. "Brokerage is a legitimate business," wrote one editor, "but in a time of war it is not legitimate for brokers or any one else to depreciate the

¹ Jones, *Diary*, I, 382 (July, 1863); Johnston, *Military Operations*, 422; De Leon, *Rebel Capitals*, 224-5; Pollard, *2d Year of the War*, 233; Pollard, *3d Year of the War*, 178; Pollard, *War in America*, 238.

² Jones, *Diary*, II, 53 (Sept. 25, 1863); *Off'l Rec'ds Rebellion*, 1st S., XXVI, pt. 2, pp. 535-8 (Dec. 26, 1863); XXXIII, 1241 (Mch. 26, 1864); XLV, pt. 2, p. 639 (Dec. 1, 1864); XLVI, pt. 2, pp. 1242-3 (Feb. 28, 1865).

³ Jones, *Diary*, I, 78, 150, II, 361; *Richmond during the War*, 271.

currency of the government.”¹ A vocabulary of opprobrious epithets was perfected to apply to these gamblers, and the lynching of a few of them was suggested as a remedy, as had been done under similar circumstances by Marat in the French Assembly.²

Legislation was often invoked, and in some cases effected, against them. General Imboden's orders of November 28, 1863,³ were aimed at a class who were defined as comprising “any one who buys to sell again.” In the Confederate Congress bills were introduced with a view to restricting or preventing speculation, but no legislation resulted, and one of the bills was adversely reported upon by the Judiciary Committee of the Senate.⁴ In the State legislatures more determined efforts were made to pass such laws. In the Virginia legislature the matter was fully discussed in September and October, 1863. Though the pressure to pass a law forbidding speculation must have been great, and though the number of those who publicly opposed the policy was small, nothing was done.⁵ In his inaugural address in January, 1864, Governor Smith favored legislation to punish forestalling, regrating, and engrossing, and to suppress auctions.⁶ But no legislation resulted. Similarly the agitation to supplement the act of February 6, 1863, which penalized extortion, with a law to prevent monopolizing and speculating resulted only in a bill being offered to the State legislature.⁷ In North Carolina a similar agitation, instigated by Governor Vance and some newspapers, led to nothing.⁸ The North Carolina ordinance of December 11, 1861, aimed at suppressing speculation and in force during the war, was apparently ineffective, as might have been expected.

¹ *Atlanta Intelligencer*, quoted in *Richmond Dispatch*, Mch. 24, 1862.

² *Vicksburg Eve. Citizen*, Nov. 13, 1861; White, *Fiat Money in France*, 52.

³ *Richmond Examiner*, Dec. 7, 1863.

⁴ *Ibid.*, Jan. 14, 1862; Jan. 6, 1864.

⁵ *Ibid.*, Sept. 18, 24, Oct. 3, 8, 9, 1863.

⁶ *Ibid.*, Jan. 2, Dec. 17, 1864.

⁷ *Charleston Courier*, Apl. 6, 1863.

⁸ *Raleigh Progress*, Nov. 17, 19, 24, 1862.

In other States similar laws were enacted, for instance one by Alabama during the first year of the war, to forbid any one's buying a commodity with the intent of producing a scarcity. Georgia, Florida, Mississippi, and Texas followed suit.¹

Cotton and tobacco were the leading commodities that fell in value in the South during the war as expressed in gold, and as compared with the 1860 price level; and these were the commodities that rose highest in price in the North and abroad. This divergence of price was due to the Federal blockade of the Southern ports, which created a great scarcity of cotton and tobacco, especially of the former, in Northern and foreign markets, and led to a corresponding accumulation of those staples in the South.

President Lincoln declared the Southern coast blockaded south of North Carolina on April 19, 1861, and eight days later extended the blockade to the North Carolina and Virginia coasts. In a short time Charleston and the other Southern ports were blockaded by Federal men-of-war. These interfered most effectively with the trade of the South, captured large numbers of merchant vessels containing valuable cargoes, and constituted the most powerful tool at the command of the Federal government in its effort to subdue the South. The relentless and almost uniformly successful operations of the navy have been minimized in importance by the at times more brilliant achievements of the army; but we lean to ascribing to the navy the larger share in undermining the power of resistance on the part of the South. It was the blockade rather than the ravages of the army that sapped the industrial strength of the Confederacy.

Notwithstanding the watchfulness of the blockading fleet, the possibility of large profits from exporting cotton and importing European goods stimulated ingenuity and daring in blockade-running, and it was carried on with great energy,

¹ Ala. act Nov. 11, 1861; Ga. act Dec. 14, 1861: Fla. acts Dec. 17, 1861, Dec. 10, 1862; Miss. act Dec. 20, 1861; *Richmond Examiner*, Apl. 7, 1863.

especially from 1863 till the capture of Wilmington and the evacuation of Charleston in February, 1865.¹ Fast vessels of light draught were secured abroad, the services of the most skilful pilots and crews were obtained at enormous cost, and the deep-draught Federal blockaders were frequently evaded, especially off the harbors of Wilmington and Charleston. From these ports the blockade-runners returned with cargoes of cotton to their starting-points at Nassau, Bermuda, Havana, or other neighboring ports. All convenient ports were anxious to figure in this trade. Nassau was the favorite, and transshipments were made there from and to the large British vessels that carried the cotton to England in exchange for manufactured goods.² As a result of this unusual activity, Nassau particularly enjoyed great prosperity during the war, and its inhabitants cannot be blamed for having made no secret of their sympathy with the Southern cause.

However, the amount of imports into the Confederate States was insignificant compared with the demand for those articles the supply of which had necessarily to come from abroad. As we have seen, the price of commodities rose to the greatest heights; and, conversely, the goods which rose highest in price were the ones to be most extensively smuggled through the blockading fleet. "Blockade goods" came to mean luxuries in general, English manufactures, especially cottons, linens, silks, woollens, hosiery, shoes, cutlery, and needles.

The effect of the blockade was severely felt before the fall of 1861; and a strong incentive was offered to discover substitutes for the leading articles of consumption. Buttons were made of persimmon seeds; tea of berry leaves; coffee of a variety of parched seeds; envelopes and writing paper

¹ *Rep'ts U. S. Sec'y Navy*, 1864, pp. 724, 733; 1865, pp. 457; Wait, *Blockade Service*, 227; Blaine, *Twenty Years in Congress*, 552-5; von Halle, *Die Blockade*.

² *Case U. S., Geneva Conference*, 42d C., 2d S., Sen. Exec. Doc. 31 (1872), p. 92; Bullock, *Secret Service* (*passim*); Wait, *Blockade Service*, 218-24; Taylor, *Blockade* (*passim*).

of scraps of wall paper; shoes of wood and canvas; and so on in great variety.¹

Few reliable figures are available to indicate the falling off of Southern imports and exports during the war. During the season 1860-1 New Orleans exported one and a half million bales of cotton; during the following season the amount fell to 11,000. The total exports of Southern cotton during the same time fell from two millions of bales to 13,000. The 17,000 hogsheads of tobacco exported and the 500,000 sacks of salt imported at New Orleans in 1860-1 shrank to nothing in 1861-2, while the large importations of coffee almost disappeared.² The exports from Confederate ports during the year ending September 30, 1863, were officially estimated at a value of over 17 millions of dollars, — perhaps 3 millions in specie, — of which 89 % consisted of cotton, and 9 % of tobacco, intended chiefly for shipment to the British West Indies and to Cuba.³ During the calendar year 1863, the Liverpool cotton brokers claimed that 131,776 bales of cotton had arrived in England from Charleston, Wilmington, Mobile, Savannah, and Texas, and during the first seven months of 1864 the amount was put at almost the same figure.⁴ During the last six months of 1864, 11,796 bales of cotton were shipped from Southern ports, of which only 11 % were lost.⁵

The amount of exports from individual ports, like Charleston, is more easily and safely determined. So, for instance, during the quarter beginning September 1, 1861, less than a thousand bales of cotton slipped out of Charleston harbor, as compared with an export of nearly 110,000 bales during the same months in 1860; 4400 bushels of rice, as compared

¹ Cf. *Southern Hist. Ass'n Pub's*, II, 268 (July, 1898); *Atlantic Mo.*, LVIII, 229 (Aug., 1886); Hague, *Blockaded Family*; Malet, *Errand in the South*, 38.

² *New Orleans Price Current*, quoted in *Merchants' Mag.*, XLVI, 545 (June, 1862).

³ *Confed. Archives: Rep't Register*, Apl. 30, 1864.

⁴ Rep't Liverpool Brokers' Ass'n, quoted in *Charleston Mercury*, Sept. 1, 1864; *Case U. S., Genera Conference*, 42d C., 2d S., Sen. Exec. Doc. 31 (1872), p. 164.

⁵ *Richmond Dispatch*, Jan. 3, 1865; Jones, *Diary*, II, 374-5 (Jan. 3, 1865).

with over 23,000; 1500 barrels of naval stores, as compared with over 33,000; while the exportation of lumber, rice, and flour had ceased entirely. The next quarter beginning December 1, 1861, gave similar figures.¹ During the six months beginning October 1, 1862, the Collector of Customs at Charleston reported an export of 19,594 bales of cotton, and total exports since July 1, 1861, of 32,050 bales.² During that time 62 vessels had entered and 130 had cleared the port.

The total imports during the year ending September 30, 1863, were officially valued at \$5,332,469, two-thirds of which represented cargoes imported in foreign vessels.³ After April, 1861, the imports at New Orleans fell off enormously.⁴ Those that succeeded in reaching Southern ports were chiefly supplies for the armies, arms, ammunition, and food; they also included large amounts of foreign luxuries, the introduction of which was highly profitable, but was resented by many, as we shall see. During the last two months of 1864 we have it on the authority of the Secretary of the Treasury⁵ that the imports at Charleston and Wilmington — which comprised almost all — included over 8½ millions of pounds of meat, 1½ millions of pounds of lead, nearly two millions of saltpetre, half a million pairs of shoes, 316,000 pairs of blankets, over half a million pounds of coffee, 69,000 rifles, 43 cannon, 97 packages of revolvers, and 2639 packages of medicine. Similar importations were made across the Mexican border.

At the outset it was vaguely assumed that imports and exports would furnish the basis for a generous government revenue. An export duty on cotton won especial favor. It was claimed that such a tax would fall almost entirely upon the foreigner, one enthusiast estimating the amount to be thus gained at 20 millions of dollars.⁶

¹ *Charleston Courier*, Nov. 29, 1861; Mch. 7, 1862.

² *Off'l Rec'ds Rebellion*, 4th S., II, 562.

³ *Confed. Archives: Rep't Register*, Apl. 30, 1864.

⁴ *DeBow's Rev.*, XXXI, 456 (1861).

⁵ *Rep't Secr'y Treas'y*, quoted in Jones, *Diary*, II, 374-5 (Jan. 3, 1865); *Richmond Dispatch*, Jan. 3, 1865; *Raleigh Progress*, Jan. 18, 1865.

⁶ *Charleston Courier*, Mch. 25, 1861.

An export duty upon cotton was contemplated in the Confederate Constitutions. The provisional instrument of 1861 omitted the prohibition against export duties appearing in the United States Constitution, while the Permanent Constitution allowed such a duty if enacted by a two-thirds vote of both Houses of the Congress.¹ As we have seen, the first loan act passed by the Confederate Congress on February 28, 1861, provided for the levy of a tax of $\frac{1}{8}$ of 1 cent per pound on exported cotton, but the fiscal results were meagre in the extreme, owing to the severity of the blockade. During the period July 20 to November 16, 1861, only \$1311.65 were collected; during the first nine months of 1863, — when blockade-running was most active, — the figure rose to \$8101.78; and during the six months ending September 30, 1864, the amount was \$4320.12, in all equivalent to perhaps \$6000 in specie as the amount raised during the war from the export duty on about 45,000 bales of cotton.

The revenue from import duties was similarly overestimated. Early in the first session of the Provisional Congress the Committee on Finance was authorized to report upon a tariff for raising revenue. A few days later, on February 14, 1861, an act directed the appointment of the old United States customs officials as officers of the Confederacy. On February 16 they were directed to enforce the existing revenue laws; and on February 18 a free list was established to include all food articles, provisions, and army supplies; it also included all foreign goods bought before February 28 and shipped before March 15.²

The first distinctive Confederate tariff was enacted on March 15, 1861, and levied a 15 % *ad valorem* duty upon the importation of coal, iron, paper, and lumber. This was soon elaborated into the tariff of May 21, 1861, which, slightly amended on August 3, and put into force on August

¹ *U. S. Const'n*, I, 9, 6; *Confed. Prov'l Const'n*, I, 7, 5; *Confed. Perm. Const'n*, I, 9, 6.

² An act of March 15, 1861, further remitted the payment of duties if the importer could show that it was impossible for him to get the goods on board before that date.

31, expressed the tariff policy of the Confederate States during the war. As was to be expected, the Confederate Congress perfected a revenue measure from which almost every trace of protective motives was removed. In fact, the protective principle was discountenanced by both Confederate Constitutions,¹ for under the old *régime* the South always felt that the burden of the tariff had fallen chiefly on its own shoulders. The Provisional Constitution amended the "general welfare clause" of the United States Constitution, as we have seen; the Permanent Constitution emphasized this position by providing that "no bounties shall be granted from the treasury; nor shall any duties or taxes on importations from foreign nations be laid to promote or foster any branch of industry." This clause had been proposed in the Montgomery Convention by Robert Toombs of the Georgia delegation,² and led the legislators to base their tariff upon the principles carried out by the United States tariffs of 1846 and 1857, from which the Morrill Tariff of 1861, passed as a distinctively Northern measure, had so signally departed. In fixing the rates of duties upon various articles, the latter were classed under seven schedules, bearing the rates of 25 %, 20 %, 15 %, 10 %, 5 %, and specific duties, the seventh schedule containing the free list. As in the case of the old tariffs of 1846 and 1857, each rate was avowedly aimed at deriving the largest possible customs revenue from the particular articles to which it applied. In carrying out this principle, the Confederate tariff lowered the former rates of 1857, especially the leading 24 % rate to 15 %, or even in some cases to 10 %. Thus, the duties on leading textiles and metal manufactures were reduced from 24 % to 15 %; coal and coke, raw hemp and tobacco, leather, iron ore, and pig iron, from 24 % to 10 %. The duty upon sugar and molasses, however, was but slightly reduced, from 24 % to 20 %, perhaps from lingering protectionist motives, which we shall see were not wholly absent. In general, however, this

¹ *Confed. Prov'l Const'n*, I, 6, 1; *Confed. Perm. Const'n*, I, 8, 1.

² Stephens, *War between the States*, 338.

Confederate tariff indicated the opposite policy to the one reverted to in the short-lived Morrill Tariff, passed in Washington immediately before the outbreak of the war, which had aimed to return to earlier protective tariffs by raising the duties especially along the line of the above reductions in the Confederate tariff. The latter emphasized its revenue motive by taxing the importation of ice at \$1.50 per ton — while it was free under the tariffs of 1846 and 1857 — and that of salt at 2 cents per bushel, though it put coffee upon the free list, where it had been placed in the two previous United States tariffs. The Confederate free list also included provisions, agricultural products, gunpowder, and ammunition, dutiable in the North; it also exempted ships from all import duties and also supplies for the army for an obvious purpose.

✓ Secretary Memminger, in his report on May 10, 1861, planned to raise over 25 millions of dollars during the fiscal year from an average import duty of $12\frac{1}{2}\%$. In point of fact $1\frac{1}{4}$ millions were raised during the year ending February 17, 1862. From the beginning of the war to September 30, 1864, the total receipts from import duties amounted according to the official reports to $2\frac{3}{4}$ millions in currency, equal to perhaps one million in specie at the time of collection.

The vigilance of the Federal blockading fleet robbed the Confederate government of its prospective customs revenue, but, at the same time, it enriched the class of blockade-runners by making their hazardous ventures enormously profitable. The evidence is clear that those who had control of sufficient capital to secure suitable ships fared well and grew rich.¹

Such inducements to the profitable investment of capital led to the incorporation and organization of numerous importing and exporting companies. These began to appear early during the war, but first in large numbers in 1863, when millions of capital were sunk in such corporations, especially

¹ Fremantle, *Southern States*, 15-16, 27; Taylor, *Blockade*, 136-9, 144; 4 Nott & Huntington, 280, 573 (U. S. Ct. of Cl.); Moore, *North Carolina*, II, 251.

in South Carolina,¹ where the Palmetto Exporting and Importing Company, the Chicora and the Charleston Company figured prominently in blockade-running. Judging from the quoted prices of the stocks in these concerns, and from the percentage of dividends paid, their business must have been very profitable.

The uncertainties and anomalies of the industrial movement during the war necessarily stimulated aleatory instincts and dulled normal business foresight. All business became speculation, and speculation leaned to mere gambling. This is seen in the rapid development of the insurance business in the South during the war. Large numbers of life, marine, and fire insurance companies were incorporated, did a growing business, and declared handsome dividends. Under normal peace conditions this might be interpreted as indicating a growth of legitimate business, but under prevailing conditions, with business almost at a standstill, the insurance companies became more or less establishments for the encouragement of betting, akin to the modern "bucket shop."

The usual outcry against the speculators was also directed at the blockade-runners, whose traffic, it was said, depressed the currency, drained the country of specie, encouraged extravagance and speculation, and spread disaffection. This feeling was reflected in the heavy tax rates put upon foreign credits, representing the profits of the blockade-runners. At times the newspapers were bitter in their attacks upon dealers in imported goods, and could not be appeased by the latters' representatives claiming with a show of reason that heavy importations and frequent auction sales of blockade goods did not inflate but depressed prices.²

Hostility to the importation of foreign articles of luxury not necessary for the support of the army grew in strength,

¹ S. C. acts Dec., 1862-Feb., 1863; Va. acts, Feb.-Mch., 1863; Jones, *Diary*, I, 326 (May 17, 1863); *Richmond Examiner*, July 11, 1863.

² Jones, *Diary*, I, 343 (June 8, 1863); II, 13 (Aug. 13, 1863); *Richmond Examiner*, Dec. 21, 1863 (Memorial Fla. leg. to Confed. Senate); *Charleston Courier*, Apl. 12, 1864 (Letter of W. C. Bell).

and led eventually to the passage of the act of February 6, 1864, forbidding under heavy penalty the importation of a large number of such articles, the sale of which in the South had been especially profitable, as they were exclusively of foreign production, and therefore scarce in that market. The prohibition went into effect on March 1, 1864, and applied especially to wines, spirits, and beer, the finer grades of textiles, and ornaments. The act aimed to confine importations to articles of necessity and common use, but could not have succeeded in doing so, as is indicated by a later amendment.¹ The incentive to import foreign articles of luxury, the prices of which rose to the greatest heights in the South, was too great to be overcome by the pronouncements of law-makers.

At the beginning of the war different motives had actuated legislation. Instead of putting restrictions upon trade, the Congress wisely freed it to a considerable extent from interference. An early act practically repealed the old navigation laws, and threw open the foreign trade and the trade between Confederate ports to all vessels without discrimination.² Shortly afterwards³ it was provided that all vessels, wherever built, if one-quarter owned by citizens of the Confederacy, could claim a Confederate registry, provided a majority of the stockholders desired it. The early law authorizing the establishment of ports of entry was amended a year later to allow the landing of cargoes at any part of the coast.⁴ Similarly the provision forbidding the importation of sugar except in vessels of a certain tonnage and in packages of a certain size, and the similar provisions regarding liquors and beers, were repealed on March 5, 1861. A small tonnage tax was collected after May 1, 1861, for the support of the lighthouse system.⁵ An act of March 15, 1861, exempted from all duties goods in transit through the Confederate States to other countries. A deduction of one-

¹ Act June 14, 1864.

² Act Feb. 26, 1861.

³ Act Mch. 6, 1861.

⁴ Acts Feb. 28, 1861; Apl. 21, 1862.

⁵ Act Mch. 16, 1861.

third was also allowed by an act of May 6, 1861, on duties payable on goods and prizes of war brought into a Southern port by vessels having a commission or letters of marque and reprisal. These early laws of the Confederacy aimed at encouraging the importation of foreign supplies of which the South stood in great need. During the third and fourth years of the war the same policy was pursued in freeing from all import duties railway material and machinery, especially that intended for textile factories.¹

Free trade was advocated in the South, especially during the first year of the war. It was felt that any restrictions upon commercial intercourse with foreign nations was a self-inflicted injury to the Confederacy. In the fall of 1861 a convention of planters and merchants at Macon unanimously and enthusiastically recommended to the Congress the suspension of all duties and the adoption of free trade with all nations at peace with the South.² A similar petition was circulated in Charleston a month later.³ The agitation was reflected in the Congress, where two bills to repeal all tariff laws were introduced before the end of 1861.⁴ In fact, the Committee on Finance had in August been instructed⁵ to inquire into the advisability of such action. The matter was discussed by the Congress in secret session, and the bill admitting free of duty all goods except such as were imported from the United States was defeated⁶ by the adverse votes of Florida, Georgia, Tennessee, and Texas, — each State being entitled to one vote under the Provisional Constitution, as had been the case under the Articles of Confederation of 1777. The *Richmond Examiner* favored the repeal of all tariff laws for the further encouragement of foreigners in breaking the blockade; to the mind of the editor a Con-

¹ Acts Apl. 29, 1863; May 23, 1864.

² *Charleston Courier*, Oct. 17, 1861.

³ *Ibid.*, Nov. 14–15, 1861.

⁴ *Jr'l's Cong.*, secret session, Nov. 28, Dec. 9, 1861.

⁵ *Ibid.*, Aug. 21, 1861.

⁶ *Ibid.*, Feb. 19, 1862; *Charleston Courier*, Feb. 20, 1862 (quoting *Richmond Examiner*); *Confed. Archives*: H. J. Fisher to Sec'y Memminger, Jan. 7, 1862.

federate tariff at the time of a Federal blockade was an absurdity.¹

The first Permanent Congress was more disposed to adopt free trade with foreign nations other than the United States. Early in the first session, in March, 1862, bills to that effect were introduced in the Senate and House of Representatives, and met with considerable favor. In the House the bill reported by the Ways and Means Committee was passed by a large majority on April 3; but the session closed a few weeks later without the Senate's having acted upon the bill, though Senator Semmes of Louisiana made an effort to have it passed.²

Nothing more is heard of a free trade movement in the South. This was only partly due to the severity of the blockade, which made insignificant any legislative restrictions upon trade; though any measure, however insignificant, to counteract the efficiency of the Federal fleet, should, as it seems, have been received with favor. On the contrary, as the war progressed, the popular feeling in favor of trade limitations grew, and we find Congressional and State legislation directed at supplementing, not counteracting, the efforts of the Federal fleet by putting further difficulties in the way of imports and exports. A twofold motive was involved in this policy: that of protecting Southern industries, and also the motive of coercing foreign powers into recognizing the Confederate government.

The Constitution, as we have seen, voiced the traditional Southern feeling against protective tariff legislation, and tried to bar the way to the adoption of a policy that, as it was claimed, had benefited one section of the country at the expense of another. Incidentally it may be mentioned that the Constitution aimed to prevent similar legislation in two other directions. In delegating to the Congress the power "to regulate commerce with foreign nations, and among the several States," the Permanent Constitution provided that —

¹ *Richmond Examiner*, Dec. 6, 14, 30, 1861 (edit.).

² *Charleston Courier*, Mch. 10, Apl. 4, 5, 1862; *Richmond Examiner*, Apl. 5, 23, 1862; *Richmond Dispatch*, Apl. 3, 1862.

"neither this, nor any other clause in the Constitution, shall ever be construed to delegate the power to Congress to appropriate money for any internal improvement intended to facilitate commerce; except for the purpose of furnishing lights, beacons, and buoys, and other aid to navigation upon the coasts and the improvement of harbors and the removing of obstructions in river navigation, in all which cases, such duties shall be laid on the navigation facilitated thereby, as may be necessary to pay the costs and expenses thereof."¹

Similarly the expenditure of public money for the benefit of a part of the people was forbidden by requiring that the Post-Office Department should be self-supporting. One of the clauses in the Constitution provided that "the expenses of the Post-Office Department, after the first day of March in the year of our Lord 1863, shall be paid out of its revenue."²

The Post-Office Department was managed by its head, ✓ J. H. Reagan, in accordance with this provision. It began operations on June 1, 1861, and by the end of the year some 8300 post-offices had been established.³ An early act of February 23, 1861, established postal rates at 5 cents for single letters (limit, $\frac{1}{2}$ ounce) within the Confederacy and within 500 miles; and at 10 cents for longer distances. These and the corresponding rates for other matter led to successive deficits in the postal revenue until the last quarter of 1862, when a surplus was attained by doubling the domestic letter rates to 10 cents.⁴ The same act abolished the franking privilege. During the last session of the Congress a bill was passed providing free carriage of newspapers to the soldiers in the field. It was vetoed by the President on the ground of its being unconstitutional and providing for unequal taxation. He had previously vetoed a similar bill.⁵

¹ *Confed. Perm. Const'n*, I, 8, 3.

² *Ibid.*, I, 8, 7.

³ *Rep't Postmaster-Gen'l, Charleston Mercury*, Jan. 18, 1862; *Vicksburg Eve. Citizen*, June 1, 1861.

⁴ Act Apl. 19, 1862 (in effect July 1, 1862).

⁵ *Richmond Examiner*, Jan. 30, 1865.

His position was that of an ultra strict-constructionist. In other and vastly more important lines of legislation he did not stand in the way of enacting measures whose unconstitutionality was much more doubtful. The motive force in securing the passage through the Congress of these insignificant bills was the surplus revenue in the Post-Office Department, which continued to be secured on the basis of high postal rates. In this small particular the provisions of the Constitution were faithfully carried out.¹

To return to the constitutional prohibition of a protective tariff: this statement of good intentions did not prevent the development of a strong protectionist sentiment, the concomitant of every war. Within three months after the establishment of the blockade we begin to hear of its being a blessing in disguise, in that it is educating the South to fostering and developing its own boundless and undeveloped resources.² And from then on we have frequent reference to the alleged advantage accruing to the South from the diversification of its industries due to the blockade. Industries, heretofore unknown and neglected, were being called into life, and the South was being assured an industrial independence and supremacy such as New England owed to the War of 1812.³ Lists of factories, such as iron furnaces, powder and cotton mills, were published to prove what the South was gaining by the war. There is also evidence that protection became an issue in the Congressional elections; one candidate, at least, in 1863 announced that he was "for protecting and building up the manufacturing interests of North Carolina."⁴

The growth of this protectionist feeling expressed itself in

¹ Acts Oct. 9, 13, 1862 (chap's 38, 50); June 13, 1864; *Raleigh Progress*, Feb. 28, 1863; *Charleston Courier*, Dec. 24, 1863; *Rep't Postmaster-Gen'l*, 1863, *N. C. Standard*, Jan. 12, 1864; *C. S. Almanac*, 1864.

² *Vicksburg Eve. Citizen*, Aug. 20, 1861 (edit.).

³ Jones, *Diary*, I, 102 (Dec. 25, 1861); *DeBow's Rev.*, Mch. & Apl., 1862, p. 327 (quoted in *Charleston Mercury*, Apl. 29, 1862); *Charleston Courier*, Aug. 23, 1861 (Message Gov. N. C.); Nov. 5, 1862; *Richmond Enquirer*, Nov. 25, 1861.

⁴ *N. C. Standard*, Oct. 27, 1863.

the resentment of the former industrial dependence upon the North. The notion became prevalent that the war was actually a benefit to the South in correcting the former tendency to rely on Northern manufacturers whom the South had enriched under the tariffs framed in accordance with the North's wishes.¹ President Davis declared that "the injuries resulting from the interruption of foreign commerce have received compensation by the development of our internal resources."² We find in embryo many of the familiar protectionist arguments, chief among them the notion that, by fostering home production, the South is saved the loss incurred in exporting goods, and especially money, to the greedy Northerner or foreigner. Throughout 1861 we find patent medicines advertised in the newspapers as a product of Southern industry, to which is often added the reminder that hereafter the South may save the millions that formerly went to the North for such articles. One Richmond newspaper argued that it was better to pay high prices at home than to —

"send our money to the Yankees for our supplies. What we pay the manufacturer is still at home . . . and we are encouraging and fostering those arts which will make us sufficiently independent."³

This desire for industrial as well as political independence is similarly expressed by another newspaper: —

"We are not running in debt abroad, and shipping every valuable we possess to pay off the score. The process of exhaustion which has been going on since the nineteenth century began, has ceased; and if we are not growing rich, we are, at least, not running ruinously in debt."⁴

The Governor of North Carolina voiced the same sentiments soon after the blockade became effective, which, he held, would surely accomplish the national and commercial

¹ Malet, *Errand South*, 38, 71-2; *Vicksburg Eve. Citizen*, Aug. 20, 1861 (edit.).

² *Off'l Rec'ds Rebellion*, 4th S., II, 350 (Mess. Pres. Davis, Jan. 12, 1863).

³ *Richmond Dispatch*, Dec. 7, 1861.

⁴ *Richmond Examiner*, Jan. 17, 1862.

independence of the South.¹ This feeling expressed itself in the movement to prevent or forbid exports, an embargo policy, which strikingly represents the contradictory attempt to benefit the Southern cause by assisting the enemy in his plans of effectively blockading the coast.

In the Montgomery Convention of 1861 the sentiment already prevailed that a stoppage of the supply of cotton would soon bring the commercial nations, especially the North and Great Britain, to terms, and an embargo upon that staple was looked upon with favor.² President Davis is said to have welcomed the Federal blockade as a means of winning the recognition of the Confederacy by foreign powers.³ This feeling was early embodied in Confederate legislation, which has the appearance of playing into the hands of the invaders by assisting them in preventing exports, just as we have seen a similar policy was pursued in hindering importation. An act of May 21, 1861, forbade the export of cotton except through the seaports of the Confederacy. On the following August 2 this act was extended to all leading articles of export, and on April 19, 1862, a further act was passed aimed specially at the transportation of goods to sections of the South in possession of the enemy.

In the States similar action was taken to hem the outward movement of cotton. In the summer of 1861 the cotton factors in New Orleans, Mobile, Savannah, and Charleston concertedly urged the cotton planters to withhold their cotton from the market till the blockade was broken;⁴ and in October⁵ the Governor of Louisiana by proclamation forbade further cotton shipments to New Orleans. In the following spring the Governor and Council of South Carolina passed a resolution forbidding the export of cotton, but suspended its operation shortly after, owing to Secretary Memminger's objections, namely, that the State should defer action till

¹ *Charleston Courier*, Aug. 23, 1861.

² Dubose, *Yancey*, 568; Pollard, *Davis*, 115.

³ *Ibid.*, 169.

⁴ *Charleston Courier*, July 30, Aug. 20, Sept. 21, 1861.

⁵ *Ibid.*, Oct. 18, 1861.

the Congress had expressed a decisive policy in the matter.¹ Similarly, Governor Vance of North Carolina proclaimed an embargo on the export of provisions and cloth for thirty days from November 26, 1862,² following the example of the State authorities during the Revolutionary War in forbidding exports partly to embarrass the enemy and partly to insure an abundance of provisions for the army. A few months before the Governor of Florida had recommended to the State legislature that they prohibit commercial intercourse with foreign countries as a means of preventing speculation and extortion, and of sustaining the public credit.³

This general embargo policy found its adherents as well as opponents. In the opinion of some the policy of forbidding exports was a powerful tool to be used for war purposes, which the South would be foolish to neglect. John Bull, it was said, was beginning to feel the power of the Confederacy to withhold cotton, and must inevitably intervene.⁴ To the mind of others it was not the Englishman, but the Northerner, and especially the New Englander, who gained by obtaining raw cotton for his mills, and who could be coerced by having that supply cut off; and some seriously proposed that the ports which the Federal navy could not blockade should be closed by the Confederate government.⁵

The *Charleston Courier*, however, took strong grounds against the embargo policy which was advocated by correspondents in its columns.⁶ The latter harped on the notion that by holding back cotton the planter and shipper could force upon Europe a recognition of the Confederacy, and upon the North a cessation of hostilities. Their advice was: "Do not sell our right arm of defence for coin," and "Help

¹ *Charleston Courier*, Apl. 23, 1862.

² *Raleigh Progress*, Nov. 27, 1862; *Off'l Rec'ds Rebellion*, 4th S., II, 214.

³ *Ibid.*, 4th S., II, 489 (Mess. Gov. Fla., Apl. 15, 1863).

⁴ *Charleston Mercury*, Feb. 5-6, 1862 (edit.); *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, p. 114 (June 21, 1861).

⁵ *Richmond Dispatch*, Apl. 19, 1862 (Charleston corresp.); *Petersburg Express*, Aug. 27, Nov. 5, 1862; *Richmond Examiner*, Aug. 7, 1863 (edit.); *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, p. 569 (Dec. 3, 1863).

⁶ *Charleston Courier*, Sept. 23, 25-7, Oct. 14, 16, 1861.

enforce Lincoln's blockade." The paper met these views by claiming that a prohibition of exports was merely playing the enemy's game, and was a policy of biting off one's own nose; that coercion of England was quite out of the question; and that the wisest policy for the South to pursue was to enlarge her exports, if possible, as a means of obtaining the needed foreign supplies in the cheapest way.¹ The Secretary of War was advised that the army could be provisioned only by allowing the trade with the enemy. As between starvation and violating the sentimental policy of withholding cotton, the writer said there was no choice.²

The later policy of the Confederate government in this particular represented a strange mixture and conflict of motives. The act of February 6, 1864, forbade the export of cotton, tobacco, military and naval stores, rice, sugar, and molasses, except under regulations of the Treasury Department. These, as framed shortly after,³ had in view the government's sharing in the export trade, — which the act expressly allowed, — by requiring that half the tonnage of outgoing and incoming vessels should be at the disposal of the Confederate authorities. A secret act of February 18, 1865, combined the prohibition of exports with permission to the Secretary of the Treasury to make exceptions in the case of individual exporters.

Others have fully described the futile efforts made by the South to secure the intervention of foreign powers in the Civil War, or at least the official recognition of the Confederacy.⁴ The declaration of neutrality by the British government on May 13, 1861, followed by similar proclamations in France and Spain,⁵ raised the hopes of the South, and during the war there were periods of recurring sanguine hopefulness of British or French interference which never materialized.

¹ *Charleston Courier*, Sept. 4, 24-5, Oct. 25, 1861; cf. *Raleigh Progress*, Mch. 13, 1863 (edit.).

² *Off'l Rec'ds Rebellion*, 4th S., II, 151 (Sec'y War to Davis, Oct. 30, 1862).

³ *Ibid.*, 4th S., III, 187; *Richmond Examiner*, Feb. 11, Mch. 11, 1864.

⁴ Cf. Rhodes, *Hist'y U. S.*, III-IV (*passim*).

⁵ Moore, *Rebellion Record*, I, 245; II, 170; Suppl. I, 82.

While the embargo policy proved ineffective in coercing the foreign powers, the temptation to relax its rigid provisions and allow the government or favored individuals to import and export was too strong to be resisted. A similarly contradictory policy was pursued during the Revolutionary War. On the one hand, commercial warfare was waged with England by attempting to cut off all trade relations with her, as well as with other foreign countries; on the other hand, exceptions were made in favor of some who wished to import foreign products in return for an American staple like tobacco. The Continental Congress frequently involved the government itself in such speculations, by joining hands with private operators, and sharing with them the risks and profits of their ventures. It was difficult to distinguish between the speculations of an individual when acting in his private capacity and when acting as an agent of the government, as is well seen in the career of Robert Morris, as well the head of the fiscal system as a leading speculator. George A. Trenholm of South Carolina, who succeeded Mr. Memminger as Secretary of the Treasury in July, 1864, occupied a somewhat similar position in the history of the Confederate States. As senior member of the firm of John Fraser and Company of Charleston, he became a leader in the business of blockade-running, and, when a member of the Cabinet, did not escape the imputations of selfish motives put upon Robert Morris's actions.¹

Some color was given to these charges by the fact that Mr. Trenholm's firm no doubt profited largely by the blockade-running business. Moreover, the branch firm in Liverpool, Fraser, Trenholm, and Company, acted as the agents of the Confederate government in financing some of its attempts to secure supplies from abroad. Such government agents were stationed at foreign ports, for instance in Bermuda, Havana, and in Nassau; they bought and shipped the much needed supplies, and paid for them with the proceeds of the little

¹ Porter, *Autobiography*, 112-13; *Charleston Courier*, Dec. 29, 1864 (Confed. H'se of R.); Sumner, *Financier Am. Rev'n* (passim).

cotton the government succeeded in slipping through the blockading fleet. Few reliable figures are available to indicate the extent of these government ventures. J. D. Bullock, the head of the Confederate secret service abroad, reports that 31,000 bales of cotton had been shipped by the government, up to the end of 1863, from Charleston and Wilmington to the Liverpool agents,¹ and during the last three months of 1864, President Davis claimed² half a million pairs of shoes, eight millions of pounds of bacon, two millions of saltpetre, fifty cannon, and so forth, had been imported on government account, and paid for presumably with exported cotton. Such government shipments began in the fall of 1861, and continued till the end of the war.³

Four government steamers were engaged in carrying out cotton and bringing in supplies.⁴ A special bureau had charge of the ventures, and succeeded in importing 113,504 small arms during the year ending September 30, 1863, and 39,798 during the calendar year 1864.

Frequently such shipments were made on joint account between the government and some firm of merchants; the outgoing cargo to be cotton, the incoming generally munitions of war.⁵ Evidently the administration yielded to the clamor that the government should share in the profits of blockade-running,⁶ one correspondent of President Davis recalling that he had urged a similar policy upon Mr. Biddle

¹ Bullock, *Secret Service*, II, 223.

² Jones, *Diary*, II, 373 (Jan. 3, 1865).

³ Bullock, *Secret Service*, I, 100; *Case U. S., Geneva Conference (passim)*; Jones, *Diary*, I, 211 (Dec. 11, 1862); II, 382-3 (Jan. 11, 1865); *Confed. Archives*: W. G. Crenshaw to Memminger, Dec. 18, 1862, C. Huse to J. Gorgas, Dec. 27, 1862; *Off'l Rec'ds Rebellion*, 4th S., II (*passim*).

⁴ *Ibid.*, 4th S., II, 955, 1014; III, 288, 351, 930, 955.

⁵ Jones, *Diary*, Dec. 22, 1862; Mch. 28, 1864; *Case U. S., Geneva Conference*, 113; *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, pp. 518-19, 531 (Aug.-Sept., 1863); *Att'y-Gen'l's Opinion*, July 30, 1864; *Confed. Archives*: Memminger to Fraser, Trenholm, & Co., Mch. 22, 1864; Contract between Sec'y War & Vernon & Co., Nov. 14, 1862.

⁶ Jones, *Diary*, II, 114 (Dec. 12, 1863); II, 153 (Feb. 21, 1864); *Charleston Courier*, (Sept. 18, 1863); *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, p. 569 (C. G. Dahlgren to Pres. Davis, Dec. 3, 1863).

of the United States Bank in 1837. State governments as well as individual merchants offered to share with the Confederate government the risk of running the blockade.¹ One of the largest ventures of this kind involved a contract with Alexander Collie and Company of London, with whom the foreign Confederate agents had large dealings. The firm was to supply four new steamships and to buy £200,000 worth of supplies for the Confederate government, the latter to pay for the goods on their arrival in a Southern port with cotton at the rate of 6 pence per pound. Two of the vessels we know reached their destination. 30,000 bales of cotton were necessary to pay for their cargoes, though 5000 would have cancelled the debt if sold in London at the prices prevailing there. This fact led Secretary Trenholm to declare that such a wasteful method of procuring supplies from abroad must be abandoned.²

The government was also drawn into speculating in Federal "greenbacks," the circulation of which, it will be remembered, was strictly prohibited. But the act of February 6, 1864, which forbade trade in United States currency, also authorized individuals to carry it on when acting for the government. As in the case of the embargo policy, which, as a war measure, aimed to forbid intercourse with foreigners, but allowed such trade relations in exceptional cases, so in the matter of the enemy's currency a similar privilege was granted; its circulation in the South was forbidden as a war measure, but where the government was evidently the gainer by exchanging its cotton or other goods for Federal "greenbacks" or postage stamps, an exception was made to the rule. There is some evidence that Federal currency was obtained in considerable amounts by the Confederate Treasury in this way.³ It was a repetition of the experience dur-

¹ *Off'l Rec'ds Rebellion*, 4th S., I, 898 (Gov. La. to Secr'y War, Jan. 31, 1862); 882-3.

² *Ibid.*, 4th S., III, 529, 588; II-III (*passim*).

³ *Ibid.*, 1st S., XXXIII, p. 1241 (Mch. 26, 1864); XLV, pt. 2, p. 639 (Dec. 1, 1864).

ing the Revolution when the Congress allowed two States to import a given amount of salt as an exception to the general non-importation policy, but took occasion to remind the Governors of those States that "nothing less than the pressing necessities of Virginia and Maryland could have induced Congress to relax the resolution made against further intercourse with the enemy. That an abuse of this indulgence will highly injure the American cause."¹ The same conflict of motives is presented by the experience of the Confederate States. In fact, the policies of the Confederate and of the Continental Congress ran strikingly parallel in their restricting foreign trade and in also engaging in it. As has just been noted, exceptions were made in the non-intercourse policy during the Revolutionary War in favor of the importation of salt as well as of equally important army supplies. The Revolutionary government also became involved in a large number of trading ventures, tobacco playing the part of cotton in the similar ventures of the Confederate government eighty-odd years later. The Continental Congress authorized contracts with individual merchants, making advances to them, and sharing in the profits of the undertaking. The several Colonial legislatures were also urged to export provisions and other produce to the West Indies to pay for imported ammunition and other army stores.

The individual State governments of the South likewise engaged in trade with foreign countries. North Carolina was particularly active. In 1862 an agent of the State was sent abroad to make arrangements for blockade-running. Cotton was bought, — over 15,000 bales in 1862, on the authority of Governor Vance, — exported and exchanged abroad for machinery, clothing, ammunition, medicine, and other equally desirable articles.² It is noticeable that Governor Vance was fiercely attacked on this account by his

¹ *Secret J'r'l Cong.*, Aug. 14, 1781.

² Jones, *Diary*, I, 207 (Dec. 8, 1862); II, 120 (Dec. 27, 1863); Moore, *Hist'y N. C.*, II, 176; *N. C. Standard*, Nov. 27, Dec. 4, 1863 (Gov. Vance's message); *N. C. act* Dec. 12, 1863; Gov. Vance in *So. Hist'l Soc. Papers*, XIV, 512 (1886).

political opponents in 1864. They claimed that he was the only gainer by these blockade-running ventures, which enabled him to export his own and his friends' cotton. The State, they claimed, was running heavily in debt as a result of these transactions. Governor Vance's friends, on the other hand, asserted that the State had profited to the extent of \$6,000,000.¹

Some of the other Southern States seem to have followed South Carolina's example. In Georgia we can detect the jealousy of the individual blockade-runners, whose presumably large profits some were disposed to secure for the State treasury. By the end of 1863 the legislature authorized the Governor to purchase a fast steamship, load her with cotton, for exchange in Europe for military supplies. As a commentary on the speculative nature of the transaction, it may be mentioned that, though \$750,000 were appropriated for the purpose, the sale of the cotton abroad was expected to pay for the ship.² In South Carolina, the centre of the blockade-running activity, an act of December 17, 1863, authorized the State government to unite with the Importing and Exporting Company of South Carolina to become one-quarter owner of its ships and share in its ventures. The Georgia legislature authorized a similar arrangement with that company.³

The States engaging in exporting and importing inevitably came in conflict with the policy of the Confederate government, developed especially in 1864, to restrict and monopolize all trade relations with foreign countries. The State of North Carolina was, of course, particularly involved. The steamer "Hansa," owned in part by the State, was detained by an officer of the Confederate navy, on the ground that the ship's cargo did not contain the quantity of cotton which the Confederate government claimed it had the right to send by her. The Secretary of War and President Davis supported

¹ *Raleigh Progress*, June 21, 27, 1864 (edit.).

² *Richmond Examiner*, Apl. 27, 1863; Ga. act Dec. 14, 1863.

³ Gov. Bonham's message, *Augusta Chron. & Sentinel*, Dec. 2, 1864.

this action. A heated correspondence was carried on between Governor Vance and the Richmond authorities, in which the President joined to point out that the regulations complained of applied only to individuals shipping goods, and that by sharing with the State government in the ownership and profits of blockade-runners, such individual speculators aimed to escape the rules covering the export of cotton and tobacco on private account. This did not satisfy Governor Vance, who continued to declaim against the interference of the central government with the right of the State to export and import, and deplored the indignity put upon the sovereign State in being compelled to submit to the treatment accorded to the individual speculator. The Governors of Georgia, Mississippi, and Alabama joined Governor Vance in memorializing the Congress to the same effect.¹

As a result, a bill was introduced in the House in June, 1864, to forbid the Confederate government's interfering with steamers sailing on State account, whether owned in part or in whole by a State.² It was presumably this bill which was vetoed by President Davis, who objected to exempting vessels only chartered, not owned by the States.³ The Governors, however, renewed their memorial to the Congress in October, 1864.⁴ A bill embodying their demands was fully discussed in the Senate, but nothing⁵ came of it. Some thought the practice of the States engaging in exporting and importing had been beneficial; others objected to countenancing it for fear that such supposedly lucrative trade would thereby pass from the hands of the Confederate government to those of the State authorities.

The contradiction involved in the two sections of the country, while politically at war with each other, being economi-

¹ *Off'l Rec'ds Rebellion*, 1st S., XXXIII, 1223 (Mch., 1864); LI, pt. 2, pp. 828-37; 841 (Pres. Davis to Gov. Vance, Mch. 26, 1864); *Raleigh Progress*, May 19, 1864; N. C. resol'n, May 25, 1864; Moore, *Rebellion Record*, VIII, 596.

² *Richmond Examiner*, June 3, 1864.

³ *Off'l Rec'ds Rebellion*, 4th S., III, 553-5 (June 10, 1864).

⁴ *Ibid.*, 4th S., III, 736.

⁵ *Richmond Examiner*, Dec. 2, 5, 1864.

cally dependent upon each other and the best of friends is well illustrated by the extensive trade carried on through the opposing military lines and the efforts made to put a stop to it or turn it to the use of the government. The policy pursued by the Federal government was particularly equivocal. It is evident that the authorities wished to secure the cotton and similar products of the South without legally authorizing trade with the enemy,¹ which individual merchants stood quite ready to undertake. In fact, by an early act of the war commercial intercourse with the South was closed, but the President was authorized to and did license individuals to trade with the enemy.²

Early in the war the trade carried on through the lines in Virginia attracted attention. Specie, it was said, was readily slipping through to the North; and, as usual, the Jewish merchants were held to be the chief culprits.³ Bulkier commodities figured in this trade. Tobacco was shipped North from various points in Virginia.⁴ We constantly hear of propositions made to the government to legalize such traffic; and of complaints that the military authorities have interfered with it.⁵

We also hear of high military and civil officers engaging in such trade.⁶ And even G. B. Lamar of Savannah acknowledged having written to Fernando Wood proposing an exchange of goods to their mutual profit.⁷ A year later he also proposed⁸ to go to New York and buy some supplies with a thousand bales of cotton. A contract between Beverly Tucker, acting for the Confederate government, and a New York firm, to deliver cotton for bacon, pound for pound,

¹ U. S. act July 2, 1864; *U. S. Treas'y Regul'ns*, July 29, Sept. 18, 24, 1864; 7 *Ct. of Cl.* 98; 8 *Wallace*, 185.

² U. S. act July 13, 1861; *U. S. Treas'y Dep't Circular*, July, 1863; 3 *Nott & Huntington*, 59 (*U. S. Ct. of Cl.*); 5 *ibid.*, 614-15.

³ *Richmond Examiner*, Dec. 31, 1861; Rhodes, *Hist'y U. S.*, III, 549-50.

⁴ Jones, *Diary*, I, 232 (Jan. 5, 1863); Baker, *Secret Service*, ch. XXVI.

⁵ Jones, *Diary*, I, 179, 181, 187-9, 191, 196, 225.

⁶ *Ibid.*, I, 289 (Apr. 9, 1863).

⁷ *N. C. Standard*, Nov. 6, 1863 (quoting *Richmond Examiner*).

⁸ Jones, *Diary*, II, 345 (Dec. 2, 1864).

though made by the authority of the Secretary of War, was disapproved by Secretary Memminger,¹ and presumably was never put into effect. Toward the end of the war the trade relations between the North and the South in Virginia must have been very extensive, and were winked at by both the Federal and the Confederate government.

The similar traffic carried on through the lines in Alabama was much more openly tolerated. The military authorities found — as a report by the General Purchasing Commissary said² — that the battle against want and starvation was greater than that against the power of the enemy. An "interior blockade trade" was proposed, one pound of cotton to be offered for three of bacon within the Federal lines in Tennessee. Such a trade was extensively carried on, and was favored by General Beauregard and other military authorities as the best means of providing army supplies, especially medical stores, and of securing a market for the cotton planters.³ It is evident that the government was jealous of the profits made by individuals in this trade, and some efforts were made to have them shared or even monopolized by the government.

The trade carried on through the opposing lines was particularly brisk in the Mississippi valley after the capture of New Orleans in the spring of 1862. Cotton was shipped in considerable quantities to that port, and was there exchanged for salt or other commodities which the Southerners were most in need of.⁴ These were shipped to Mobile or to some interior port. The military authorities would not or could not prevent the traffic.

Memphis and Vicksburg became centres of trade to which Southern cotton found its way. The Federal authorities

¹ Jones, *Diary*, II, 319 (Oct. 31, 1864).

² *Off'l Rec'ds Rebellion*, 1st S., XXIII, pt. 2, pp. 771, 777 (Apl., 1863).

³ *Ibid.*, 1st S., XXXII, pt. 3, pp. 833-4 (Gen. Polk. to Pres. Davis, Apl. 27, 1864); XXXIV, pt. 2, pp. 971-2, 982-3; XXXIX, pt. 2, pp. 863-4; LII, pt. 2, pp. 795 & ss.; XLV, pt. 2, pp. 637, 639.

⁴ *Ibid.*, 1st S., LII, pt. 2, pp. 387, 412, 453, 460, 465; XXVI, pt. 2, pp. 434-6, 558; 4th S., II, 242; Jones, *Diary*, I, 327, 376; II, 51-2.

encouraged, or at least gave permits for such trade. The Confederate authorities, too, put no serious obstacles in its way. The Mississippi River offered an easy means of communication between the two hostile sections, and any efforts to prevent their exchanging products would have been futile.¹

The profits of the traffic are attested by the eagerness with which individual speculators sought to gain the government's permission to cross the lines. The Governor of Mississippi urged President Davis to accept the proposition of a French firm to import salt in exchange for cotton. Although the firm agreed not to carry the cotton to the North, it was suspected that the Frenchmen were acting in the interest of the Federal authorities at New Orleans. Notwithstanding, the President was persuaded to allow the traffic, especially in view of the scarcity of salt.² Similar propositions from French firms in New Orleans were accepted with some misgivings by the President. We hear of other propositions of the same kind. One merchant proposed to supply the Confederate troops with clothing and shoes by importing them from the North in exchange for cotton; another offered to buy the government's cotton in the most exposed sections along the Mississippi River at the rate of ten pence per pound, to assume all risks except those from destruction by Confederate troops, and to ship the bales to New Orleans and thence to Antwerp.³ Presumably the government did not grant the necessary permission in these cases. Another French firm in New Orleans offered to exchange salt for cotton, engaging themselves to ship the cotton direct to Europe. President Davis, however, still persisted in the policy of withholding cotton, and refused his assent.⁴ A

¹ 26 *Fed. Cases*, 278; 27 *ibid.*, 284; Moore, *Rebellion Record*, XI, 480; *Off'l Rec'ds Rebellion*, 1st S., XXXII, pt. 3, pp. 625-7; XXXIX, pt. 2, pp. 583-4; 725-6; XLVII, pt. 1, p. 1316; LII, pt. 2, pp. 370-2, 600; 4th S., III, 508-10, 514, 649-51, 682, 688, 1075; Jones, *Diary*, II, 87, 293, 315; *N. Y. Times*, Jan. 31, 1865 (8-1).

² *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, pp. 383-4 (Gov. Pettus to Pres. Davis, Oct. 28, 1862); Jones, *Diary*, I, 185, 187, 189, 191, 198.

³ *Ibid.*, I, 202; II, 63, 198-9, 236.

⁴ *Off'l Rec'ds Rebellion*, 4th S., II, 173-4 (Nov. 7, 1862).

little later the War Department, though professing its disapproval of such a trade, authorized one in cotton in order to secure some necessities from New Orleans.¹ In 1864 the Secretary of War, writing to General Taylor,² says that the "law does not allow trade in cotton with [the] enemy," but that the "military are not required to enforce this law," and about the same time General Lee gave orders that the government's policy of winking at the illicit trade be not given undue publicity for fear that the Federal authorities might interfere with the traffic.³

Nominally the government was opposed to any trade relations being established with the enemy. The acts of May 21, 1861, and April 19, 1862, distinctly forbade the transportation to and sale in any place within the Confederacy in possession of the enemy of cotton, tobacco, sugar, rice, molasses, syrup, or naval stores; and regulations were adopted to carry out this prohibition. They could not have proved effective, as bills were introduced in the Congress in 1863 to further penalize such border traffic.⁴ Much feeling was aroused against the individual traders who allowed selfish interests to outweigh patriotic considerations, and who, as usual, were blamed for depressing the currency.⁵ North Carolina aimed to remedy the difficulty by taxing the profits from trading with the North.⁶

As had been the case during the Revolutionary War, the instinct of trade was at war with the instinct of patriotism. The trade with the enemy was demoralizing in its effect upon the communities near the border line between the North and South. The soldiers, too, could not reconcile their military duties with the practices they saw about them, which were connived at, if not directly authorized and insti-

¹ *Off'l Rec'ds Rebellion*, 4th S., II, 306 (Jan. 8, 1863).

² *Ibid.*, 4th S., III, 735 (Oct. 14, 1864).

³ *Ibid.*, 1st S., LI, pt. 2, 842; 4th S., III, 606 (Aug., 1864).

⁴ *Richmond Examiner*, Mch. 27, Apl. 27-8, Dec. 12, 1863.

⁵ *Ibid.*, Apl. 28, 1863; *Charleston Courier*, Aug. 28, 1863 (quoting *Richmond Sentinel*).

⁶ N. C. act Dec. 12, 1863.

gated by their superiors. Nor were there wanting those who claimed that the military officers were personally the gainers thereby.¹

There was a difference of opinion as to the effect and the desirability of the trade with the enemy. Many not only pointed out the demoralization it caused, but went so far as to claim that the trade enriched the North and impoverished the South. "It would be better," said the *Richmond Examiner*, "for our government to blockade its own ports than that this traffic with the enemy should be continued,"² a sentiment similar to the one regarding the embargo policy already alluded to. Others, however, thought that the people on the border should be encouraged to trade with the enemy in order to obtain food, clothing and arms on the most advantageous terms; that, under the peculiar conditions, such a trade was beneficial to the Confederacy and should be regulated, not hampered.³ Still others urged that the profits accruing from the trade should be monopolized by the government.⁴

These divergent opinions were reflected in the policy pursued by the civil and military authorities. General Pemberton frequently reported to the War Department that the illicit trade could not be stopped in Mississippi, and urged a policy of tacit non-interference. This policy was presumably adopted, for we hear of a lively trade springing up in that section, which was distinctly recognized, if not authorized by the Richmond authorities.⁵ General Polk also

¹ *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, pp. 663, 700-3; XXXIX, pt. 3, pp. 860-2; XLIX, pt. 1, pp. 944-5, 1011; Jones, *Diary*, I, 95, 328; *Richmond Examiner*, July 15, 1863; Feb. 15, 1864; *Charleston Courier*, Feb. 1, 1865.

² *Richmond Examiner*, June 8, 1863; cf. Jones, *Diary*, II, 285 (Sept. 18, 1864); *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, pp. 370-2; 4th S., I, 905; II, 585; III, 508-10, 514.

³ *Ibid.*, 1st S., XXXI, pt. 3, pp. 833-5; LII, pt. 2, pp. 465, 600; 4th S., II, 460; III, 10, 285-6, 596.

⁴ *Ibid.*, 1st S., LI, pt. 2, p. 936; *Richmond Examiner*, Apl. 28, 1863 (resol'n in Confed. Senate).

⁵ *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, pp. 453, 460, 465 (Apl.-May, 1863); 4th S., II, 242 (Dec. 16, 1862); Jones, *Diary*, I, 320; 327; II, 133.

favoring licensing the illicit trade, and gave passes to merchants to carry cotton to Vicksburg and bring back supplies. In a confidential letter he advised General W. Adams to "see that Yankees get cotton now and then, but not faster than suits our purpose."¹ A heavy movement of cotton into the Federal lines followed which aroused much opposition to countenancing the traffic.² In fact, we gather that the practice of permitting it was not generally divulged for fear of stimulating popular feeling against it.

General Lee, though recognizing the demoralizing effect of such traffic, allowed it to pass through his lines toward the end of the war. He advised the Secretary of War to "make the traffic . . . as productive as possible," presumably by having the government monopolize it, but a fortnight later he advised giving up all attempts at interference,³ which later advice was followed.

Earlier in the war this policy of non-interference had not been so generally adopted. During 1861 and 1862 President Davis had not seen his way to authorizing trade with the enemy, though he evidently recognized its existence, and had authorized the Governor of Mississippi to obtain a supply of salt in that way.⁴ In the spring of 1863 the Secretary of War refused to make a serious attempt to break up the traffic, and advised General Pemberton to leave it to the civil authorities to deal with. A month later he even went so far as to hold that his Department could not stop the traffic, and that it should be licensed, because it secured the most needed supplies in the most economical way by the exchange for cotton.⁵ The Attorney-General, however, took a different view,⁶ and refused to dismiss a suit against a firm for trading with the enemy, even though General Pember-

¹ *Off'l Rec'ds Rebellion*, 1st S., XXXIX, pt. 2, p. 584; Jones, *Diary*, II, 138.

² *Ibid.*, 1st S., XXXIX, pt. 2, pp. 725-6; 827.

³ *Ibid.*, 1st S., XI, VI, pt. 2, p. 1075 (Jan. 16, 1865); 1206 (Feb. 6, 1865); Jones, *Diary*, II, 180 (Apr. 2, 1865).

⁴ *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, p. 412 (Jan., 1863).

⁵ *Ibid.*, 1st S., LII, pt. 2, pp. 460 (Apr. 6, 1863), 465 (May 2, 1863).

⁶ Jones, *Diary*, I, 376 (July 10, 1863).

ton had agreed to allow them to ship cotton to New Orleans in exchange for army supplies. In 1864 General Taylor annulled similar contracts on the ground that the illegal traffic with the enemy was demoralizing Mississippi and eastern Louisiana,¹ and in the last months of the war General Brent made strenuous but hopeless efforts to stem the tide of goods passing through his lines.² The part played by commerce in the history of the Confederate States recalls vividly the story of the Revolutionary War.³ In both cases commercial non-intercourse was greeted as the strongest weapon of coercion, but proved to be a useless one; in both cases it was used as an adjunct to military operations, and in so far as it was effective—in the case of the South, whether as a result of the Federal blockade or of Confederate legislation—it weakened the country for waging war effectively by shutting off foreign supplies; in both cases, the prohibition of trade between the belligerents was evaded to a marked extent, the military motive of mutual destruction could not fully repress the economic motive of mutual gain by trade. Professor Sumner's words, applied to the commercial policy of the Revolution, apply equally well to that of the Confederate States:—

“It [commerce] was used as an engine of war, also for profit; as a resource for the treasury, and for direct exchange as a means of getting things otherwise unobtainable.”⁴

This mixture of motives is well illustrated in the treatment of the commerce across the Rio Grande. Cotton was exported from Texas and exchanged in Mexico for arms and ammunition, which were smuggled into the Confederacy. In some cases the French authorities interfered.⁵ Until the

¹ *Off'l Rec'ds Rebellion*, 1st S., XXXIX, pt. 3, pp. 860-2 (Oct. 28, 1864).

² *Ibid.*, 1st S., XLVIII, pt. 1, pp. 1423, 1426-7, 1436, pt. 2, pp. 1265-6 (Mch.-Apl., 1865).

³ Cf. Sumner, *Financier Am. Revolution*, I, ch. V.

⁴ *Ibid.*, 103.

⁵ *Confed. Archives*: S. Johnson to Pres. Davis, Nov. 4, 1861; *Off'l Rec'ds Rebellion*, 1st S., XXVI, pt. 2, pp. 90, 153, 267, 273, 286, 315, 384, 517, 521, 524, 568; Fremantle, *Southern States*, 8, 33.

capture of Brownsville at the mouth of the Rio Grande in November, 1863, this trade flourished. After the Federal forces gained a foothold in that region, it became more hazardous; and, in keeping with the policy of the Confederate government under similar circumstances, instead of encouragement being given to it, restrictions were put upon the trade, largely with a view to having the government share in its profits. Planters were allowed to export 40 bales of cotton for every 100 slaves owned; and shippers were required to import from Mexico at least one-quarter of their goods in military supplies. Security was required to insure compliance with the law.¹ Other similar restrictions were applied, which suggest the government's jealousy of the profits earned by individuals in the trade.

In 1864 the government put further difficulties in the way of private speculators,² and itself set up a Cotton Bureau in Texas. Of its operations we know but little; it is clear, however, that it organized and largely monopolized the business of exporting cotton into Mexico in exchange for the needed foreign goods.³ The Cotton Bureau contracted with parties who undertook to transport the cotton across the border and return with the government supplies. There seems to have been great activity in this trade during the last months of the war.⁴

¹ *Off'l Rec'ds Rebellion*, 1st S., XXXIV, pt. 2, pp. 820-4; XXVI, pt. 2, p. 184; XXXIV, pt. 2, pp. 830-5, 852-3; XLVIII, pt. 1, pp. 1452-3; 4th S., III, 206; Fremantle, *Southern States*, 36; Dorsey, *Recollections*, 239.

² *Off'l Rec'ds Rebellion*, 1st S., XXXIV, pt. 4, pp. 643-4; LII, pt. 2, pp. 801 & ss.; XXVI, pt. 2, p. 184; *Gen'l Orders Adj.-Gen'l's Off.*, Apl. 16, 1864, III.

³ *Off'l Rec'ds Rebellion*, 1st S., XXXIV, pt. 2, p. 831; pt. 4, pp. 645-6, 649; 4th S., II, 257.

⁴ *Ibid.*, 1st S., LII, pt. 2, p. 801 (Secr'y War to Gen. Taylor, Dec. 22, 1864); *Raleigh Progress*, Jan. 18, 1865 (quoting Rep't Secr'y Treas'y).

CHAPTER XII

THE INDUSTRIES OF THE SOUTH

SALT WORKS — THE MANUFACTURE OF ARMS AND AMMUNITION — IRON WORKS — TEXTILE AND OTHER MANUFACTURES — THE PROFITS OF THE MANUFACTURERS — THE RAILROADS — THE CROPS — THE LIMITATION OF THE COTTON CROP — THE DISTILLING INDUSTRY — THE MORAL DECADENCE OF THE SOUTH.

THE development of mining and manufacturing industries in the South during the war was comparatively meagre. However, the incentive to find a domestic source of supply of the commodities which had formerly come from the North or from abroad and were temporarily cut off by the blockade led to the establishment of a variety of industries that are worth noting.

Strenuous efforts were made to supply the need of salt, at first by the evaporation of sea water,¹ but as the Federal control of the coast line put difficulties in the way, the interior was searched for possible salt mines that could be worked. The State governments offered rewards for the discovery of salt springs, and a bonus for the production of salt; or undertook to subscribe to the capital of any private salt-manufacturing concern, as they had been urged to do by the Continental Congress during the Revolution.² Minor salt works were established in Texas, Alabama, and Louisiana.³ In North Carolina the State Convention took the matter in hand, and

¹ *Charleston Courier*, Jan. 1, 20, 24, 28, Feb. 29, 1862; Moore, *Rebellion Record*, III, 445; *Atlantic Mo.*, LVIII, 229 (Aug., 1886).

² Ala. acts Nov. 11, 19, 1861; Ga. act Dec. 16, 1861; S. C. act Dec. 21, 1861; *Petersburg Express*, Apl. 11, 1862.

³ *Vicksburg Eve. Citizen*, Dec. 11, 1861; *Charleston Courier*, June 25, Aug. 12, 1862; *Off'l Rec'ds Rebellion*, 1st S., LII, pt. 2, pp. 382-3.

appointed a salt commissioner, who established works at Morehead City. These were destroyed by the Federal troops. Then works were built near Wilmington, which were in operation two years, and had to contend not only against the ravages of yellow fever among the operatives, but also against the interference of the Richmond authorities on the score of the alleged disloyalty of the employees.¹ South Carolina sought to remedy the scarcity of salt and its extortionate price by contracting with private manufacturers for a supply of the article, which was then sold to consumers by the State, and presumably below cost.² Alabama made some similar arrangement.³

The leading source of supply was in the southwest corner of Virginia, especially at Saltville, where the daily output of salt rose to above 7000 bushels before the end of 1862. By a series of laws the State of Virginia obtained the largest part of the salt produced there, and controlled its manufacture, distributing it at a low price through the State and to consumers.⁴ Other States, like Alabama, Georgia, and North Carolina, also put up works at Saltville, and made advances to contractors. There was much friction between the States, Virginia being blamed for taking the lion's share of the limited supply, and interfering with the export to the other States. These works remained in operation till 1865, and were not disturbed by the Federal troops till the last days of 1864.⁵

The South obtained its supply of arms in part from the

¹ *Charleston Courier*, Aug. 16, 1862; *Raleigh Progress*, Nov. 19, 1862 (Gov. Vance, mess.); Nov. 21, 1862; *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, pp. 1030, 1033, 1045, 1047.

² *Charleston Courier*, Sept. 13, 1862.

³ *Off'l Rec'ds Rebellion*, 4th S., I, 708 (Gov. Ala. mess.).

⁴ *Vicksburg Eve. Citizen*, Dec. 20, 1861; *Off'l Rec'ds Rebellion*, 1st S., XXVII, pt. 3, p. 889; XLVI, pt. 2, pp. 1221-2; Va. acts May 9, Oct. 1, 1862; Mch. 30, Oct. 29, 30, 1863; Mch. 8, 1864; Resol'n Mch. 30, 1862; *Richmond Examiner*, Mch. 30, 1863, & 1862-3, *passim* (Notices of State distribution of salt); *Rep't Va. Auditor*, Oct. 3, 1864 (*State Doc's*).

⁵ *Charleston Mercury*, July 31, 1862; *Off'l Rec'ds Rebellion*, 1st S., LI, pt. 2, pp. 1056, 1058, 1061; LII, 384; Jones, *Diary*, II, 367 (Dec. 27, 1864).

United States arsenals which were taken possession of by the Confederates at the outbreak of the war; in part, as we have seen,¹ from abroad; and in small part from Southern factories that were established during the war. Of these there were none in the spring of 1861; by the following fall and winter a number had been equipped under the auspices and control of the government. The valuable machinery secured at Harper's Ferry was put to use, and by September, 1862, the Chief of Ordnance reported that over 14,000 small arms had been manufactured, and that the public armories could turn out over 2000, and the private armories over 1500, per month. It is fair to assume that they were not manufactured at that rate, and that most of the establishments were given up, or were destroyed by the advancing Federal troops. We hear of only one — at Columbus, Georgia — manufacturing small arms as late as the spring of 1863.²

Heavy ordnance was more extensively manufactured in the South. Foundries and similar iron-works at least attempted to turn out cannon, and those in Augusta and Columbus were still in operation in 1863.³ Almost all the ordnance of domestic manufacture was made by the Tredegar Works of Richmond, which had been established a few years before the war, and were put at the disposal of the government and enlarged in 1861. Plates for armorclads and shells were also produced there.⁴ Very few iron-works other than those engaged in furnishing the government with arms were operated. We hear of plans to establish smelting works, and of some rolling mills; but fuel and ore were too scarce to come into general

¹ See pages 28-9.

² *Off'l Rec'ds Rebellion*, 4th S., I, 425, 467, 556, 622 (*& passim*); II, 299; *Charleston Courier*, June 18, 1861; Jan. 18, 1862; *Charleston Mercury*, Mch. 3, 1862; *Petersburg Express*, Apl. 14, 1862; *Richmond Examiner*, May 13, 1863; *Acts* Apl. 17, 19, 1862.

³ *Charleston Courier*, May 25, 1861; *Les États Confédérés*, 56; Fremantle, *Southern States*, 176; Stevenson, *Rebel Army*, 82-3; *Richmond Examiner*, May 13, 1863.

⁴ *Off'l Rec'ds Rebellion*, 1st S., XLVI, pt. 2, pp. 1287-8; 4th S., II, 956; Bullock, *Secret Service*, I, 21; *Two Months in the C. S.*, 95, 273; Jones, *Diary*, I, 324; *New England Mag.*, XI, 368 (Nov., 1891); DeLeon, *Rebel Capitals*, 92.

use, though iron mines in South Carolina and coal mines in Alabama and North Carolina are mentioned. Nails were about the only article of iron, other than distinctly war material, we find produced during the war.¹ Naturally the industries which supplied the armies with war material received most attention. Factories for the manufacture of percussion caps and cartridges were established at various places, — for instance, one in Augusta, which was presumably the largest.²

The authorities were chiefly concerned with providing a sufficient supply of gunpowder. At the outset the Secretary of War reported that no powder works were known to exist in the Confederacy. By the summer of 1861 some factories were in operation in South Carolina, Alabama, Mississippi, and Tennessee; and in the fall numerous powder-manufacturing concerns were incorporated in those and other States.³ Abandoned or neglected saltpetre mines were worked again; one of them by the same man that operated it in the War of 1812. In the spring of 1862 the government made strenuous efforts to increase the supply of saltpetre by offering a high price for it, and proposing to advance half the capital necessary to erect nitre works or enlarge the present establishments.⁴

Reliance upon private manufacturers was insufficient, and in April, 1862, a special government bureau was created to furnish the armies with powder. This "Nitre and Mining Bureau" at once set about to explore for nitre mines, and by August 1 had nearly 400 men at work in 16 caves. By October 200,000 pounds of saltpetre had been produced, to

¹ *Off'l Rec'ds Rebellion*, 1st S., XXXI, pt. 2, p. 191; XXXII, pt. 2, p. 562; 4th S., II, 391; III, 34, 832; Jones, *Diary*, II, 337; *Charleston Courier*, May 31, Aug. 27, 1862; *Richmond Dispatch*, May 14, 1862; *Richmond Examiner*, Aug. 31, Dec. 25, 1863; *Memphis Appeal*, Oct. 20, 1863; N. C. acts Dec. 12, 14, 1863; Malet, *Errand South*, 75; Dorsey, *Recollections*, 240.

² *Charleston Courier*, July 15, 1861; Stevenson, *Rebel Army*, 91; *Les États Confédérés*, 58; Fremantle, *Southern States*, 175-6; Raines, *Six Decades in Texas*, 369.

³ *Off'l Rec'ds Rebellion*, 4th S., I, 292-4, 555-6; *Charleston Courier*, May-Sept., 1861 (*passim*).

⁴ *Richmond Dispatch*, Mch. 6, 1862; Act Apl. 17, 1862.

which were added the foreign imports from Mexico and those direct from Europe; these exceeded the home production. The leading government powder factories were at Augusta and at San Antonio; the former was the chief reliance of the government; during the year ending July, 1863, it supplied one million pounds, and presumably remained in operation till the capture of Augusta.¹

The South was at the outbreak of the war less deficient in tanneries. They existed in considerable numbers, and were added to. Factories for turning out shoes and saddlery were established here and there. In 1862 the government took hold, and started a factory of its own in Richmond, detailing soldiers to make shoes, — no machinery was supplied; similar works were started at Montgomery later in the war. Together their capacity was at most perhaps a thousand pairs of shoes a day.²

Textile manufactures hardly existed in the South in 1861. Cotton mills were soon established, especially in Georgia, South Carolina, and Alabama. These produced no inconsiderable amount of cotton cards and cloth, and were encouraged by subsidies from the State governments as well as by the governments' importing suitable machinery from abroad.³

The establishment of paper factories was less extensive, though we hear of a few turning out a coarse quality.⁴ The chief supply of that necessary article was obtained from the stock carried over from before the war. Of other lines of industry started, we hear of the manufacture of hats, blankets, hosiery, candles, printer's ink, lamp black, glass, matches, pot-

¹ Acts Apl. 11, 19, 1862; Apl. 22, 1863; June 4, 1864; *Off'l Rec'ds Rebellion*, 4th S., II, 26-30, 222-3, 661, 957; *Charleston Courier*, Oct. 6, 1862.

² *Charleston Courier*, *Richmond Examiner*, *Raleigh Progress* (*passim*); Va. acts Mch. 1861; Confed. act Oct. 9, 1862; *Vicksburg Eve. Citizen*, Sept. 13, 1861.

³ *Merchants' Mag.*, XLII, 376 (1860); *Charleston Courier*, *Richmond papers* (*passim*); Jones, *Diary*, I, 203; *Off'l Rec'ds Rebellion*, 1st S., XXXII, pt. 2, p. 562; Va. acts 1861-4; Ala. acts Dec. 4, 1861, Nov. 8, 1862; Ga. acts Dec. 6, 1862; Miss. act Dec. 9, 1863; N. C. ord. Feb. 25, 1862; *Newbern Progress*, Mch. 7, 1862; Confed. act Oct. 8, 1862.

⁴ *Vicksburg Eve. Citizen*, July 13, 1861; *Charleston Courier*, Mch. 3, July 12, 1862; *Richmond Dispatch*, Apl. 16, 1862; Jones, *Diary*, I, 102.

tery, and even of cutlery, copperas, woollens, tinware, silver plate, stoves, oilcloth, pianos, and sewing-machines.¹ It is doubtful whether any of these industries got beyond the experimental stage. Necessary machinery and skilled labor were wanting, and could not be supplied.

A Confederate Patent Office was provided for by the Provisional Congress in 1861; and during its first year 304 applications for patents were received, 57 were granted, and 110 *caveats* were filed. The business of the office, judging from its receipts, increased till 1864, and then fell off greatly.²

Those who succeeded in securing a sufficient amount of capital and labor to establish manufactories must have made large profits. Pollard states that the contractors who supplied the government with war material had become rich and prosperous by 1864.³ The only direct evidence we have on the subject is furnished by the Virginia tax assessment for the year 1863.⁴ According to this, 120 establishments were taxed on a basis of profits exceeding three millions of dollars. There were 66 tanneries, 16 textile and 14 flour mills, 5 iron works, 9 coal mines, 9 salt works, and one paper mill. One cotton factory alone was assessed for profits of \$355,000. A woollen mill is reported to have declared dividends of \$530,000 on a capital of \$200,000; a paper mill 575 % dividends in the years 1861 and 1862; and another manufactory, 645 %.⁵

One important industry, the railroads, deserves more than passing notice. The railroad development of the South had lagged behind that of the North. The railroads of the North

¹ *Charleston Courier*, July 23, Oct. 17, Nov. 2, 1861; Mch. 3, July 12, 1862; *Vicksburg Eve. Citizen*, Nov. 26, 1861; *Charleston Mercury*, Apl. 12, 1862; *Richmond Dispatch*, Dec. 7, 1861; Jan. 20, Mch. 6, Apl. 5, 8, 1862; *Richmond Examiner*, Dec. 23, 1863; June 18, 1864; *DeBow's Rev.*, XXXII, 327 (1862); *Malet, Errand South*, 75; *Raines, Six Decades in Texas*, 369-70, 478.

² Resol'n Mch. 4, 1861; Acts May 21, Aug. 30, 1861; Jan. 23, Feb. 3, Sept. 26, 1862; *Richmond Examiner*, Mch. 13, 1862 (*Rep't Comm'r Patents*); *Richmond Record* (*passim*).

³ Pollard, *Davis*, 351.

⁴ *Rep't Va. Auditor*, Dec. 9, 1863 (*Lynchburg Republican*, Jan. 25, 1864).

⁵ *Charleston Courier*, Mch. 14, 1863, quoting *Richmond Enquirer*.

were better built and equipped, and were better run. Those of the South represented few systems; there were no trunk lines; those that did exist had largely the character of local roads supplying the local traffic from and to the important coast cities like Wilmington, Charleston, Savannah, Mobile, New Orleans, and, of course, Richmond and Petersburg. Of the total railroad mileage in the United States in 1861, namely, 31,256, the States of the Confederacy contained 9283, or less than 30%. This figure was soon reduced by Federal inroads to something over 6000, or roughly one-fifth of the country's total railroad mileage.¹

The railroads were put to their utmost to keep the centres from which they radiated as well as the armies gathered there provisioned. From Richmond and Petersburg two systems tapped the food-producing regions: the Southside Railway, which ran westward to the corner of Virginia — from where most of the salt came, as we have seen — and into Tennessee; and the Richmond and Danville Railway which ran in a south-westerly direction, and was extended during the war to join the North Carolina railroads at Greensboro. In that State the railroads radiated from Wilmington, and were of great importance in distributing the blockade goods. One line led northward through Goldsboro and Dalton to Richmond; the other led westward through South Carolina, where it joined the network that centred at Charleston. One of these ran from Charleston westward through Augusta to Atlanta, and thence northward to Chattanooga. A parallel line ran from Savannah to Macon, and joined the former road at Atlanta. The remaining roads were either unimportant branches and disconnected links, often incomplete; or they were at least partly in the hands of the Federal troops. The latter was especially true of the long line running eastward from Memphis.

Aside from the immense destruction of railroad material along the line of the Federal advances, the roads deteriorated

¹ Poor, *Manual for 1868-9*, p. 21; *Off'l Rec'ds Rebellion*, 4th S., II, 512; von Halle, *Baumwollproduktion*, 114 & ss.

rapidly, and could not be kept in repair. Their capacity for handling freight was much reduced; in 1863 we find only a few railroads with more than two trains a day. Bridges and rolling stock wore out, and could not be replaced. By the end of the war the railroads were reduced to a condition from which it took them many years to recover. The North Carolina Railroad, for instance, had only five serviceable passenger cars left for its 223 miles; and others were no better off.

The railroads certainly did not make due allowance for this deterioration, but figured out large profits on their business during the war. The carrying of troops and army supplies superseded the carrying of cotton, which of course greatly declined,—in the case of the South Carolina Railroad, a leading cotton road, from over 300,000 bales in 1860 to 120,000 in 1861, and to an annual average of 28,000 during 1862-4. The gross receipts of this road increased fourfold between 1860 and 1864, and the net receipts more than doubled,—at least as expressed in currency,—leading to an increase of the dividends from 7% to 8%, 12%, and 16%. The accounts of the Georgia Railroad give similar figures, as do especially the railroads like those leading out of Richmond, which did a large business on government account.¹

There is good evidence that the railroads sought to increase their profits by speculating in cotton, which they, of course, had excellent opportunities to buy and store along their lines.²

There must have been some feeling against the profits of the railroads, as a bill was introduced in the Confederate Senate to compel the latter to reduce their charges if their annual profits exceeded 15% of their paid-in capital. An amendment to substitute 30% was offered, but was tabled

¹ Information about Southern railroads is best gathered from Appleton's *Guide*, Poor's *Manuals*, *N. C. Convention 1865, Exec. Doc's*; Newspaper files, especially of the *Charleston Courier*, *Richmond Examiner*, *Richmond Dispatch*; *Merchants' Mag.*, XLII-XLIII (1860); *Off'l Rec'ds Rebellion*, 4th S., II, 483-6 (Rep't to Secr'y War, Apl. 14, 1863); Kettel, *Southern Wealth*, 87-8 & appendix.

² *Charleston Courier*, Dec. 1, 1863; Rep't Wilmington & Weldon R. R. in Rep't Treas'r (*N. C. Convention 1865, Exec. Doc's*).

with the original bill.¹ Legislation was not directed at discouraging profits in railroads, but was, on the other hand, concerned to no small degree in encouraging railroad building. The completion of through lines was deemed a military necessity, and led to appropriations of over \$5,000,000 in Confederate bonds by the Congress in aid of various railroads. The first grant of one million dollars went, in February, 1862, to the Richmond and Danville Railroad for the completion of its line southward. The remaining amount was voted to railroads in Georgia and Louisiana. It is interesting to note in regard to the latter that objection was raised in the House of Representatives on the ground that a military necessity did not exist, and that the appropriation was in reality merely offering assistance to private speculation. The objector, moreover, denied the right of the Congress under the Constitution to thus interfere with States rights.²

In fact, the practice of subsidizing railroads unmistakenly suggests the railroad aid legislation before the war, into which most of the Southern States had been drawn during the fifties. That the continuance of this practice during the war was not so much due to military exigencies as it was fostered by the loan and currency policy, — which, as we have seen, encouraged unbridled speculation, — is a fair inference from the numerous railroad aid acts passed by the State legislatures during the war. These authorized the States and also the counties and cities to lend their credit to various railroads.³ It should be added, however, that in a few cases railroad aid acts passed before 1861 were suspended during the war.⁴

Of the state of the agricultural industries in the South

¹ *Richmond Examiner*, Feb. 24, 1863.

² Acts Feb. 10, Apl. 19, Oct. 2, 1862; *Charleston Mercury*, Apl. 23, 1862; *Off'l Rec'ds Rebellion*, 4th S., II, 145-6.

³ Ala. acts Feb. 7, 8, 1861; Fla. acts Dec. 6, 1861; Nov. 27, 1863; La. acts Jan. 20, 23, 1862; Miss. acts Jan. 29, 1862; Dec. 7, 1863; Apl. 5, 1864; N. C. ord. Feb. 8, 1862; *N. C. Convention 1865, Rep't Treas'r*; S. C. acts Jan. 28, Dec. 21, 1861; Feb. 6, Dec. 17, 1863; Va. acts Feb. 25, Mch. 30, 1861.

⁴ Ala. acts Dec. 5, 1861; Miss. acts Aug. 2, Nov. 21, 1861.

*The Southern Railway Co.

during the war we have little authentic information. The newspapers of the time reported abundant crops in 1861 and of excellent quality. There was a good grain and sugar harvest, but a falling off in the tobacco crop.¹

In 1862 the conditions were not so favorable, though in parts of Georgia the corn crop was abundant. Little rice was raised owing to the Federal troops overrunning the sections along the coast. However, there could not have been any scarcity of food products, as cotton as a crop gave way largely to the raising of grain, corn, and fodder. In South Carolina the planters were said to have doubled their corn acreage.

In 1863 this movement to raise food products in preference to cotton continued. We hear of large corn crops, and of especially large wheat crops except in Virginia, where there are complaints of scarcity, which on closer analysis are seen to be due, not to small crops, but to the familiar unwillingness of the farmers to send their produce to Richmond for fear of having it impressed at unremunerative prices. This phenomenon has been discussed above.² In August, 1863, the receipts of wheat in Richmond fell off from 700,000 bushels in former years to 75,000.³

In 1864 the corn crop is reported to have been unusually abundant in most of the States, while the production of wheat is said to have fallen off except in Virginia; and in 1865 the condition of the crops in March is reported as having been exceptionally favorable in the States south of Virginia.⁴

We are forced to the conclusion that whatever scarcity of food was felt in the armies and in the cities was due not to deficient harvests but to the difficulty of attracting produce to the markets under the currency and impressment régime.

¹ Day, *Down South*, 267; newspapers, especially *Charleston Courier* (quoting other Southern newspapers).

² See pages 202 & ss.

³ *Richmond Examiner*, Aug. 20, 1863.

⁴ Information regarding the crops is best obtained from the files of the Richmond and Charleston newspapers; also from *Off'l Rec'ds Rebellion*, 1st S., XXXIX, pt. 3, p. 789; XLVI, pt. 2, p. 1297.

The destruction of food products by the advancing Federal armies — which was no doubt very considerable, especially after the spring of 1864, and is indicated in the changes and reductions in the soldiers' rations,¹ in comparison with the Federal regulations — was much more than counterbalanced by the increased attention given by the Southern planters to raising grain and corn to the exclusion of cotton.

Popular appeal and legislation discouraged the raising of cotton. Some urged the planters to stop planting it altogether on the plea that such action — like an embargo — would bring the Englishmen to terms.² The same reasoning led to the advice to burn the cotton crop when harvested with a view to throwing the English cotton operatives out of employment and coercing their government into recognizing the Confederacy.³ The newspapers joined in friendly admonition to planters to raise no cotton, but as much grain, fodder, and meat as possible.⁴ Such friendly advice was given more formal expression by the authorities making similar recommendations. So, for instance, a grand jury in Georgia in its presentments advised planters not to grow cotton. The Mississippi legislature followed suit. Even the Congress, after protracted discussion, passed a joint resolution in the spring of 1863, authorizing President Davis to issue a proclamation embodying a similar recommendation, which he did. Incidentally, it may be mentioned that much opposition was expressed in the Senate to the passage of the resolution, one Senator opposing restriction on the ground that it would build up the East India cotton interest. Governor Vance supplemented the President's proclamation with a similar appeal to North Carolina planters.⁵

¹ *Regulations Subsistence Dep't*, 1862, p. 7; *Off'l Rec'ds Rebellion*, 1st S., XXIV, pt. 3, p. 1055 (Aug., 1863); XXVII, pt. 3, p. 536 (Dec., 1863); XXXII, pt. 2, p. 608 (Jan., 1864); 4th S., III, 592 (Aug., 1864).

² *Confed. Archives*: M. Valentine to Pres. Davis, July 16, 1861; *Charleston Courier*, Jan. 15, 18, 1862 (quoting *Mobile Advertiser & Register*).

³ Barker, *Rebellion*, 124-5.

⁴ *Merchants' Mag.*, XLV, 378-9 (Oct., 1861); *Petersburg Express*, Apl. 4, Oct. 4, Nov. 6, 1862; *Richmond Examiner*, Apl. 28, 1863.

⁵ *Charleston Courier*, Dec. 13, 1861; Mch. 6, 13, 1862; Miss. resol'n Dec. 3,

As is customary in the South in more recent times, the planters met in convention during the war, and pledged themselves to limit their production of cotton to a certain amount. Those of a Louisiana parish resolved in a public meeting held in January, 1862, that none of their number should plant or raise more than 2500 pounds of cotton during the coming season, unless the blockade were removed by March 1. At a convention in Memphis in February there was some talk of petitioning the Congress to impose a tax of \$20 a bale, with a view to discouraging cotton raising. In the following months numerous meetings were held to create a sentiment against planting cotton and in favor of raising food for the army; those planters who exceeded the quota allotted them were dubbed unpatriotic.¹

As has generally been the case with more recent attempts to restrict the cotton crop by mutual agreement, the temptation to exceed the quota of bales allowed each planter was too great to be resisted. The agreements were evidently broken. The desire to raise cotton for purposes of speculation often outweighed the more patriotic desire to raise food for the army. And, in fact, it would seem that the interests of the army were best served by raising cotton and shipping it abroad in exchange for war materials. In any case, it is evident that the Southern farmer forsook his cotton crop with evident unwillingness, for he might expect large profits by holding it till the end of hostilities. His food products he was in danger of losing to the government at arbitrary and unremunerative prices. The friendly admonition of the newspapers and the mutual agreements of planters' conventions did not suffice to bring about a change of production, at least not to the degree desired by the buyers of farm produce; and we find a striking though ineffectual movement on the part of the State legislatures to legally restrict the planting of

1861; Confed. j't resol'n Apl. 4, 1863; Jones, *Diary*, I, 290; *Off'l Rec'ds Rebellion*, 4th S., II, 376; Moore, *Rebellion Record*, VI, 524; *Richmond Examiner*, Mch. 13, 1862.

¹ *Charleston Courier*, Jan. 18, Feb. 26, Mch. 6, 25, Apl. 8, 1862; *Richmond Examiner*, Apl. 21, 1863.

cotton. A limit was set to the number of acres per hand employed, varying from 1 to 3; or the number of plants or of bales was fixed by statute. Heavy penalties were imposed for exceeding these limits, though we never hear of their being inflicted. Similar provisions were made to apply to the tobacco crop.¹

Whether as a result of this agitation and legislation or not, the amount of cotton raised in the South during the war fell off greatly. The 1860 crop had amounted to more than 4½ millions of bales; the figure for 1861 fell below 4 millions. In 1862 over one million bales were raised; and in 1863 somewhat less. The crops of 1864 and 1865 probably did not exceed half a million bales.² Cotton was accumulated in large amounts on the plantations and by the government with a view to finding a profitable market at the close of the war. Most of it was ruined by exposure or destroyed on the approach of the Federal armies. There was a deep-rooted notion that the South was increasing its wealth by the rise in the scarcity value of cotton abroad. One writer gave expression to this feeling by figuring out an increase in the value of the products of the South—cotton, tobacco, and naval stores—of \$200,000,000; he claimed that the expenses of the war were being met by the increased value of agricultural products, in consequence of its continuance.³

The same motives which actuated the restriction of cotton planting and the encouragement to raising food products were shown in the movement to forbid the distilling of grain and corn, as had been the case during the Revolution. The Confederate Congress was petitioned, in December, 1861, to

¹ Ga. act Dec. 11, 1862; *Off'l Rec'ds Rebellion*, 4th S., II, 376 (Pres. Davis to Gov. Ga., Jan. 27, 1863); *Charleston Courier*, Jan. 1, Mch. 2, Dec. 5, 1863; *Raleigh Progress*, Mch. 27, Apl. 6, 1863; S. C. acts Feb. 6, Apl. 10, Dec. 17, 1863; Va. act Mch. 12, 1863; *N. C. Standard*, Nov. 27, Dec. 1, 1863; Fla. act Dec. 3, 1863; Ark. act Mch. 21, 1862.

² *Merchants' Mag.*, XLIII, 506-8 (1860); XLV, 497 (1861); *Charleston Courier*, July 15, Nov. 7, 1861; Aug. 13, Dec. 18, 1862; Aug. 5, 1863, & *passim*; *Richmond Examiner*, July 16, 1863; *N. Y. Times*, Mch. 11, 1866 (1-3) (Charleston corresp.); *Richmond Whig*, Dec. 25, 1863; *Richmond Record*, Sept. 10, 1863.

³ *C. S. Almanac for 1864*, p. 49.

take such action; and the War Department seized a quantity of corn in the hands of distillers a few months later to prevent its scarcity.¹ Governor Brown of Georgia took similar action six weeks later. Beginning with the spring of 1862, the State legislatures passed drastic measures to forbid distilling, though their frequent re-enactment indicates that people evaded the law, finding it more profitable to turn their produce into spirits. Moreover, the Governors were generally given authority to suspend the prohibition in certain cases and to license individuals to distil spirits for medicinal or manufacturing purposes.²

The Confederate government engaged extensively in the distilling industry, which, as we have seen,³ led to difficulties with the States, with whose policy of prohibition the practice of the central government did not accord. So, for instance, the Governor of Georgia proposed to prosecute any one distilling in the State, whether an agent of or a contractor for the Confederate government or not, but the quantity of whisky distilled by the government or by its contractors was enormous.⁴

The picture of the disturbed and anomalous condition of the South would be incomplete without a reference to the moral decadence which accompanied it. The effect of the redundant currency in stimulating reckless speculation has already been noted.⁵ Its effect in encouraging extravagance was equally marked. The *nouveau riche* in the cities who

¹ *Charleston Courier*, Dec. 9, 1861; *Petersburg Express*, Feb. 10, 1862.

² *Ibid.*, Mch. 27, 1862; N. C. acts Feb. 21, Dec. 17, 1862; *Raleigh Progress*, Nov. 19, Dec. 5, 6, 1862; Feb. 16, 21, Mch. 27, 1863; Moore, *Rebellion Record*, VI, 524 (Gov. Vance, Apl. 2, 1863); S. C. acts Dec. 18, 1862; Apl. 10, 1863; Ga. acts Nov. 22, Dec. 9, 1862; Dec. 3, 1863; Fla. resol'n Nov. 24, 1863; Fla. act Dec. 4, 1863; Miss. acts Jan. 3, Dec. 9, 1863; Mch. 19, Apl. 5, 1864; Mch. 9, 1865; La. act June 20, 1863; Ala. acts Dec. 8, 1862; Aug. 27, 29, Dec. 7, 1863; 39 Ala. 247; Ark. act Mch. 19, 1862; Tex. act Dec. 16, 1863; Va. acts Mch. 12, Oct. 1, 1862; *Richmond Dispatch*, Dec. 2, 1862.

³ See page 217; cf. *Off'l Rec'ds Rebellion*, 4th S., III, 118.

⁴ *Ibid.*, 4th S., III, 106; *Petersburg Express*, Nov. 23, 1863; *Charleston Courier*, Jan. 14, 1864; Act June 14, 1864.

⁵ See pages 230 & ss.

had amassed a fortune, often fictitious, was given to lavish expenditure, luxurious living and display, exactly as had happened during the paper money era in Austria, during the American Revolution, and especially during the French Revolution. Theatre and balls were the favorite means of spending one's quickly gotten wealth.¹ The act of February 6, 1864, though partly directed at this evil of extravagance by forbidding the importation of foreign luxuries, could not stem the tide. Early in the war there had been a marked tendency toward retrenchment in personal expenditure; the plethora of currency no doubt brought about a change, by putting a premium, as we have seen, upon buying something with the paper money one held.

The change in the moral tone which inevitably accompanies a paper money inflation is furthermore seen in the growing prevalence of gambling. As we have noted above, legitimate business made way for speculation of the wildest kind; shading off into gambling, which became very general and open, especially in the large cities of the South. In Richmond the increase of gambling-houses gave the authorities much concern in the fall of 1863. Laws were passed to suppress them, but only temporarily held them in check. As in Washington at the same time, the aggregation of prosperous government contractors, underpaid government officials, and furloughed soldiers increased gambling to an appalling extent in Richmond, where it caused more comment than in the army.²

¹ *Richmond Examiner*, Jan. 3, Feb. 19, Nov. 24, 1863; Feb. 8, 1864; Pollard, *Third Year of the War*, 182; Day, *Down South*, I, 99; Rhodes, *Hist'y U. S.*, III, 548-9; Sumner, *Am. Currency*, 79, 317; Sumner, *Financier Am. Revol'n*, II, 136; White, *Money & Banking* (1895), 147; Montgaillard, *State of France*, 1795, p. 50; De Goncourt, *Société franç. pend. la Révol'n*, 181; von Sybel, *French Revol'n*, IV, 222-4; Blanc, *Hist. de la Révol'n*, XII, 118; White, *Fiat Money in France*, 39-41, 72.

² Day, *Down South*, I, 98; *Richmond Examiner*, Jan. 3, Apl. 21, 1863; Apl. 21, 1864; *Richmond during the War*, 76-7, 255; *Off'l Rec'ds Rebellion*, 1st S., XXXII, pt. 3, pp. 625-7; Pollard, *Davis*, 153; Eggleston, *Recollections*, 102-3; Rhodes, *Hist'y U. S.*, III, 549; DeLeon, *Rebel Capitals*, 238-9; Va. acts Oct. 16, 1863; Mch. 10, 1864; Jones, *Diary*, II, 79; Stevenson, *Rebel Army*, 106; Jones,

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The disturbance of the South's industrial life and the full development of the military instincts lowered the moral standards of the people, as every great war has done. Drunkenness became very common. The convictions in the army for this offence numbered 5 in 1861; 28 in 1862; 78 in 1863; and 40 in 1864. The falling off in 1864 agrees with the number of arrests for drunkenness in Charleston, which also fell off markedly after 1863, perhaps in both cases owing to the scarcity of intoxicants.¹

This lack of self-restraint and want of social discipline was also shown in the bread riots which broke out in some of the larger cities. Mobs broke into stores and demanded goods at the government's impressment prices, a curious commentary upon the effect of the policy of interfering with a free market. The *Richmond Examiner* claimed with reason that the mob "put into practice the principles of the Commissary Department."²

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Vice and rowdiness became rampant. Ruffians, thieves, and prostitutes abounded, and vice in every form became common.³ The South from this point of view does not present an attractive picture, which is only matched by the description of the social conditions prevailing at the time of similar upheavals in other countries, for instance in France during the last decade of the eighteenth century.⁴

Christ in the Camp, 270; *Gen'l Order Dep't No. Va.*, Nov. 14, 1862; *Baker, Secret Service*, ch. XIX.

¹ Jones, *Christ in the Camp*, 268 & ss.; *Richmond Examiner*, Dec. 23, 1864 (Adj.-Gen'l's letter in Senate); Act Apl. 21, 1862; Police reports in *Charleston Courier*, *passim*; *N. Y. Times*, July 22, 1883 (5-7), quoting *Phila. Record*.

² *Richmond Examiner*, Apl. 4, 1863; Jones, *Diary*, I, 284; *Richmond during the War*, 208.

³ *Petersburg Express*, Feb. 17, 1862; *Charleston Mercury*, Oct. 27, 1862; Pollard, *Davis*, 129, 153; Pollard, *Third Year of the War*, 182; Stevenson, *Rebel Army*, 106; *Off'l Rec'ds Rebellion*, 1st S., pt. 3, pp. 625-7; Russell, *Diary*, *passim*; Jones, *Diary*, II, 41; *Richmond during the War*, 76-7; *Raleigh Progress*, Mch. 2, 1864; *Richmond Examiner*, Jan. 3, May 7, 1863; July 22, 1864; Day, *Down South*, I, 98.

⁴ Montgaillard, *State of France*, 1795, p. 50; De Goncourt, *Société franç. pend. la Révol'n*, 181 & ss.; von Sybel, *French Revol'n*, IV, 222-4; Blanc, *Hist. de la Révol'n*, XII, 118; White, *Fiat Money in France*, 41-3, 52, 72.

It must be confessed that the revolting picture is not appreciably modified by the fact of religious revivals in Richmond and in the army, which occurred during 1862 and 1863.¹

¹ Jones, *Christ in the Camp* (*passim*); *Richmond Examiner*, Aug. 15, 1863; Jones, *Diary*, II, 64, 79.

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of chapter.

CHAPTER XIII

CONFEDERATE AND LOCAL TAXATION

THE DIRECT WAR TAX OF AUGUST, 1861 — ITS APPORTIONMENT AND COLLECTION — THE TAX ACT OF APRIL, 1863 — TAXES IN KIND — TAX ACTS OF FEBRUARY AND JUNE, 1864, AND OF MARCH, 1865 — STATE AND LOCAL TAXATION — THE SUSPENSION OF TAXES AND THE POSTPONEMENT OF THEIR COLLECTION — THE STATE LOANS — THE CITY FINANCES — CONCLUSION.

THE revenue of the Confederate government was largely derived, as we have seen, from loans. Taxation was neglected, especially during the first two years of the war. The cotton export duty of $\frac{1}{8}$ of 1 cent a pound was levied on February 28, 1861, in connection with the 15-million loan of that date. Some months then elapsed before anything further was done by the Congress with a view to raising a tax revenue. In his report of May 10, 1861, Secretary Memminger proposed a direct tax of \$15,000,000, to be levied and collected by means of the established State tax machinery, — the latter a fatal mistake, as will be seen. He counted on raising over 13 millions by October 1; and had been urged by Mr. Denègre, the well-known New Orleans banker, to recommend the levy of such a tax for the purpose of securing 30 to 40 millions a year from the owners of real estate, slaves, and capital in trade. But others thought such a direct tax too cumbersome, and clung to the belief that customs duties would suffice.¹

The Congress was not anxious to adopt a policy of taxation, and merely pledged the faith of the Confederate States to raise a sufficient revenue to meet the principal and interest of the loans authorized on May 16, 1861. The Secretary of

¹ *Confed. Archives*: Denègre to Memminger, May 4, 11, 26, 1861; E. J. Forstall to D. F. Kenner, Feb. 21, 1861.

the Treasury was, however, authorized to collect information regarding the revenue system of the individual States looking toward raising \$10,000,000 within the year 1861. In anticipation of this future tax the States were called upon to pay into the Confederate Treasury their respective quota in specie less a rebate of 10 %.¹

The desired information was collected by the Secretary, and presented to the Congress on July 24. He urged the raising of \$25,000,000, by taxing real estate, slaves, and personal property, comprising merchandise, bank and other corporate stock, and money at interest, at a uniform rate of 54 cents on each \$100, which he believed would be sufficient. The total assessed value of the above classes of property he put at over 4600 millions of dollars; nearly half representing slaves, and nearly two-fifths real estate. In answer to this recommendation, the Congress provided for a direct war tax in the loan act of August 19, 1861. It taxed all property $\frac{1}{2}$ of 1 % of its value, except Confederate bonds and money on hand. Property worth \$500 was exempt in the case of the head of each family; and the property of educational, charitable, and religious associations was, as usual, freed from the tax. Each State was to constitute a tax division under a Chief Collector to supervise the assessment lists to be prepared by October 1, and completed by December 1, 1861; the collection of the tax was to be made by May 1, 1862, and the customary arrangements were made for tax sales and the treatment of taxable corporations as "persons." Moreover, by an unfortunate provision, the States were allowed to anticipate the amount of taxes assessed upon their citizens by paying the sum minus a 10 % rebate into the Confederate Treasury at any time before April 1, 1862.

Arrangements for the levy of the tax proceeded slowly, and by November 20, 1861, the Secretary could only report that Chief Collectors had been appointed, and that the States had been divided into districts. He recommended a postponement of the tax in view of the disturbed conditions and of

¹ Act May 16, 1861, §§ 4, 6, 7.

the extent of the country to be canvassed. This the Congress willingly granted by passing the act of December 19, 1861, which extended the time of assessment from October to January 1, and authorized a further postponement at the discretion of the Secretary. The time of collecting the tax was not affected, but by later acts of April 19, September 30, and October 13, 1862, this limit was extended, or the collection was suspended, as in the case of the border States which had been overrun by the enemy.

The assessment of the tax, when complete, fell off somewhat from Mr. Memminger's estimate, and amounted to \$4,220,755,834.21. Of this sum 1500 millions represented slaves; 1400 millions, real estate; 500 millions, money at interest; and 94 millions, bank stock. The Secretary's valuation of slaves had been higher by 660 millions.¹

The assessment proceeded slowly, and by the middle of 1862 only two out of eleven States had made complete returns; six States had made no returns at all. Great difficulties were found in assessing taxable property, especially slaves.² No revenue was collected from the tax during the first fiscal year of the Confederacy; but during the five months ending August 1, 1862, 10½ millions were gathered, to which a further 6 millions were added during the last five months of 1862; and more than 4 millions during the first nine months of 1863. In all, apparently about 18 millions were raised by this direct tax. On July 1, 1863, over 2 millions were still uncollected,³ most of it in Tennessee, Texas, Arkansas, and Virginia, where either the presence of the enemy or the distance from the capital made its collection difficult and often impossible. In the other States the delay in collecting the tax was due to the central government's dependence upon the several State governments to either levy the tax with their own local tax machinery or compound the

¹ *Rep't Sec'y Treas'y*, July 24, 1861; *Rep't Comm'r Taxes*, 1863, in *Richmond Examiner*, Dec. 30, 1863.

² *Confed. Archives*: Chief Clerk War Tax Bureau to Memminger, July 15, Aug. 1, 1862.

³ *Ibid.*: *Rep't Comm'r Taxes to Sec'y Treas'y*, Nov., 1863.

amount due by paying it, less 10 %, into the Confederate Treasury. The delay was presumably unavoidable; what robbed the tax entirely of its character was the general practice on the part of the States to avoid the payment of the tax by borrowing the amount due and transferring the proceeds to Richmond. They followed the precedent of the States during the Revolution in meeting their quota of the taxes apportioned to them by the Continental Congress, not by raising the amount by taxation, but by issuing bonds or paper money. Each of the Southern States aimed "to protect her own citizens from hardship and inconvenience, by extending to them that indulgence in the payment of their taxes, where necessary, which the Confederate States could not, in the nature of things, afford to grant."¹ In both cases the policy increased instead of reducing the indebtedness of the people by substituting the States for the central government as borrowers.

The war tax assessed upon Alabama citizens amounted to over 2 millions of dollars. On recommendation of the Governor, \$2,000,000 were borrowed from the banks in the State — on condition that they suspended specie payments — and transferred to the Confederate Treasury. The loan was to be repaid out of the proceeds of future taxes, which presumably were never levied, as the loan was proposed by the Governor to meet the demands of the central government "without collecting it [the amount] from the people in the present condition of the country."²

Arkansas' share of the war tax was \$551,606.03. Of this amount \$400,000 were advanced to the Confederate Treasury apparently by the issue of State treasury notes and their exchange for Confederate notes. The eventual redemption of the notes out of the proceeds of taxation was promised, as in the case of Alabama. The balance due the central government had not been paid by July, 1863. In fact, the State

¹ *Richmond Examiner*, Feb. 5, 1863.

² *Off'l Rec'ds Rebellion*, 4th S., I, 697-711; Ala. acts Nov. 27, Dec. 9, 1861; Feb. 20, 1863; Ala. joint resol'n, Dec. 8, 1862.

bickered with the Confederate Treasury by claiming an amount due the State, which it proposed to cancel in payment of its quota.¹

Florida's share of the tax was fixed at \$226,109.88. It was paid with an issue of State treasury notes. Georgia's share of \$2,494,112.41 was similarly met by an issue of 8 % State bonds.² Louisiana presumably adopted similar means of meeting her quota, namely, \$2,424,174.39. The State overestimated her indebtedness to the Confederate Treasury in assuming the tax, and had the excess returned to her.³

Mississippi's share amounted to \$2,241,003.20. The Governor was authorized to issue State bonds and settle the account with the Confederate Treasury, which he no doubt did. The interest on these bonds was met from the proceeds of a special tax amounting to one-quarter of the regular State tax. Presumably the Commissioner of Taxes and the Secretary of the Treasury had this tax in mind when they reported that the war tax had been levied and paid, and not compounded, in Mississippi.⁴

North Carolina, like Louisiana, overestimated the amount necessary for the composition of the tax, namely, \$1,288,825.31, and the Congress appropriated a sum to reimburse the State. The State Convention discussed the question of assuming the burden, and showed a disposition to demand of the Confederate Treasury that it should accept the State treasury notes or give the State credit for the advances made for military purposes. North Carolina was always ready to assert her States rights position as against the centralizing Richmond authorities. The State Convention passed an ordinance assuming the tax and providing means for its payment by an issue of State treasury notes. Their redemption was not to be met out of the proceeds of ordinary taxes, but

¹ Ark. acts Nov. 18, 1861; Mch. 21, 22, 1862; *Confed. Archives: Rep't Comm'r Taxes, Nov., 1863.*

² Fla. act Dec. 16, 1861; Ga. act Dec. 11, 1861.

³ La. act Jan. 6, 1862; *Confed. acts* Oct. 8, 1862; May 1, 1863.

⁴ Miss. act Dec. 20, 1861; *Confed. Archives: Rep't Comm'r Taxes, Nov., 1863; Rep't Secr'y Treas'y, Dec. 7, 1863.*

from those of an additional tax which was assessed, but of which nothing more is heard, perhaps because the central government reimbursed the State for the above advances to an amount far exceeding the State's quota of the war tax.¹

In South Carolina the State assumed its share of the tax, \$1,798,076.32, and turned over to the Confederate Treasury that amount less some \$150,000 to cover the tax on property in the parishes along the coast which were overrun by the enemy. The money was provided by a temporary loan. This was cancelled from the proceeds of the war tax, which the State officials put into force. They obtained the assessment books prepared by the Confederate officials, and set about to collect the tax, which was made payable before July 31, 1862. By that time three-quarters of the amount due had been collected, and by October 1, 1863, practically all the amount due was in the State Treasury.²

Only one other State, namely, Texas, made an effort to raise her quota of the war tax by means of taxation. The amount due from the State was \$1,654,278.05, of which three-quarters were raised, but apparently almost entirely by taxing or rather confiscating the property of alien enemies, so that the State's efforts to avoid the loan policy of most of the others calls for little commendation.³

Virginia followed the majority of the States in assuming the tax, and paid the central government \$2,125,000, though nearly 2½ millions were called for. The difference represented the tax assessed on residents of the sections of the State invaded by Federal troops. State bonds were issued to the banks which advanced the necessary sum.⁴

In the border States Missouri and Kentucky no attempt was made to assess the tax; but in Tennessee \$2,205,000

¹ Confed. act Oct. 8, 1862; N. C. act Feb. 17, 1862; *Charleston Courier*, Apl. 15, 1862; *Newbern Progress*, Dec. 9, 13, 1861; *Rep't N. C. Treas'r* (*N. C. Convention 1865, Exec. Doc's*); *N. C. Standard*, July 3, 1863.

² S. C. acts Dec. 21, 1861; *Charleston Courier*, Dec. 24, 1861; Jan. 8, 15, Nov. 27, 1862 (Gov's mess.); *Rep't Compt'r Gen'l S. C.*, Nov., 1862, 1863.

³ *Confed. Archives: Rep't Comm'r Taxes*, Nov., 1863.

⁴ *Ibid.*; Va. act Feb. 21, 1862.

were assessed, and 1½ millions paid to the Confederate government by the State, the amount being no doubt secured by some kind of loan.¹

It is seen from the above that less than one-tenth of the war tax was actually a tax and raised by a forced contribution. In all the States but South Carolina and Texas the tax was changed into a loan with a view to avoid putting a burden upon the people. Vice-President Stephens voiced the general feeling when he spoke of the government's object to make the burden of the war fall as lightly as possible upon the South, and said that it was therefore proposed to get along with as little taxation as possible, resorting to that means of raising a revenue only when loans failed the government.² The authorities were evidently unwilling to test by heavy taxation at the outset the popular devotion to the Southern cause. Aside from the above misnamed war tax, no tax act was passed by the Provisional Congress, and a full year of the Permanent Congress elapsed — during which numerous issues of bonds and notes were authorized — before the first real tax act of the war was passed. During 1861 and 1862 the popular dread of burdensome taxation prevented action.³

The Secretary of the Treasury urged additional war taxes in March, 1862, and again more strongly in January, 1863. He pointed out the need of a substantial revenue from taxation as a basis for loans, in spite of the popular clamor, and the insufficiency of the former war tax, which distributed the quotas among the several States and allowed the tax to be raised in any way agreeable to them, subject to delay and uncertainty. It is worth noting that the Federal government adopted a similar direct tax at the beginning of the war, — differing from the one in the South in being apportioned

¹ *Confed. Archives: Rep't Comm'r Taxes*, Nov., 1863; *Rep't Sec'y Treas'y*, Dec. 7, 1863.

² Appleton, *Ann. Cyclopaedia for 1861*, p. 143 (Stephens's speech, July 11, 1861).

³ Pollard, *Davis*, 171; Alfriend, *Davis*, 483; Capers, *Memminger*, 341-2; *Charleston Mercury*, Aug. 24, 1863; June 27, 1864; *Richmond Examiner*, June 8, 1863; *Raleigh Progress*, Oct. 15, 1863 (quoting *Charleston Mercury*); *Richmond Whig*, Oct. 8, 1862; *Century Mag.*, LIII, 632 (Feb., 1897).

among the States according to the Constitutional provision, — and, like the South, turned from apportioning taxes among the States to independent Federal taxation, especially under the Internal Revenue System.¹

Mr. Memminger leaned to taxing property and income in preference to levying stamp duties, excise or license taxes. His urgent suggestions met with popular approval in the early part of 1863. The newspapers claimed that there existed a strong popular demand for heavy taxation, partly with a view to correcting the redundant currency and reducing prices, quite like the demands for the taxation of the rich during the French Revolution in order to lower the extravagant price level. One editor emphasized the unfortunate experience with the former policy of allowing the States to assume their quota of a Confederate tax, which they pretended to levy, but in reality borrowed.²

As a result of this agitation the Congress enacted a stringent tax measure on April 24, 1863, which avoided the objectionable features of the former war tax, and levied a great variety of taxes upon property, earnings, and occupations,³ to be assessed on July 1, and collected on October 1, 1863, — with exceptions to be noted below. The taxes were arranged under the following heads: —

I. A property tax of 8% was levied on the value of all naval stores, salt, wines and liquors, tobacco, cotton and wool, sugar, molasses and syrup, and on all other agricultural products. Deductions were allowed for articles necessary for home consumption. The same tax rate of 8% was applied to all kinds of money and currency on hand or on deposit; and a smaller rate, 1%, to all credits, at home or abroad, on which interest had not been paid, and which represented capital not

¹ U. S. acts Aug. 5, 1861; May 13, June 7, July 1, 1862; June 30, 1864.

² *Charleston Courier*, Jan. 20, Mch. 14, 1863; *Chattanooga Daily Rebel*, Feb. 22, 1863; *Richmond Examiner*, Mch. 9, 16, 17, 21, 26, Apl. 15, 1863; *Raleigh Progress*, Mch. 16, 27, 1863; *Charleston Mercury*, Mch. 26, Apl. 1, 1863; White, *Fiat Money in France*, 52.

³ The act of April 24, 1863, was amended in its administrative details on May 1, 1863, Feb. 13 & 17, 1864.

employed in any business. Elsewhere in the act appear the provisions taxing the income of such capital.

II. A license tax upon a large variety of occupations, which was in keeping with the Southern custom in matters of taxation, and was aimed at bankers and brokers, auctioneers, wholesale and retail liquor dealers, distillers and brewers, pawnbrokers, innkeepers, circus and theatre owners, lawyers, physicians and apothecaries, butchers and bakers, and other dealers. The tax rate was \$50, \$100, \$200, or \$500, according to the supposed lucrativeness of the occupation, supplemented in some cases by a percentage on sales; and, in the case of the distillers, by a tax on production, namely, 50 cents on the first ten gallons, and \$2 a gallon upon a further output.

III. A tax on earnings, payable every January 1. Salaries of \$1500 and less were taxed 1%; those above that amount, the same and 2% of the excess. Salaries of less than \$1000 as well as those in the military or naval service were exempt. Net income from other sources than salaries was also taxed at a progressive rate: Incomes of from \$500 to \$1500, at 5%; those of from \$1500 to \$3000, 5% on \$1500 and 10% on the excess; those of from \$3000 to \$5000, 10%; those of from \$5000 to \$10,000, 12½%; and those of \$10,000 and above, 15%. The net income was determined by prescribing certain deductions from the gross revenue from rents, from manufacturing, mining, and other business enterprises, from the sale of merchandise, and from other occupations.

IV. A separate 10% tax was levied on the profits during 1863 from the sale of provisions and other food products, iron, shoes, blankets, and cotton cloth. This tax was aimed at the wholesale, not the retail trade.

V. A tax in kind of one-tenth of the agricultural produce during the year 1863 was provided. This tithe was to be delivered by the farmers to the post-quartermasters not later than March 1, 1864; and these officers were to distribute the food products direct to the army and the cotton to agents of the Treasury Department. The money

proceeds of the other four taxes were to go to the regular tax collectors.

The act was to be in force till the end of 1865, except that the 10% tax on profits and the 8% tax on naval stores and agricultural products was levied only during 1863. The property and income of charitable, religious, and educational institutions were, as usual, exempted from taxation. The tax machinery was slowly set in motion. Each State was made a tax division with a State Collector to supervise the levy. The assessment of the tax was delayed by various causes, and the collection did not begin till the end of 1863. By April 1, 1864, nearly 60 millions of dollars had been raised, equal at the time to perhaps 3 millions in specie; and during the following six months further 42 millions in currency, or perhaps something over 2 millions in specie.¹ Up to April, 1864, \$82,262,349.83 had been collected in currency, the States contributing in the following proportion: Georgia, 22 millions; Virginia, 21½; South Carolina, 12½; North Carolina, 10; Alabama, 9½; Texas, about 3; Mississippi, 2; Florida, 1; Louisiana, \$200,000; Tennessee, \$140,000; and Arkansas, presumably nothing.²

It is evident that the Southern Confederacy, like its predecessor, the Confederacy of Revolutionary times, was characterized by light taxation. In both cases the notion prevailed that posterity would reap the advantages of the war and should properly bear its burdens, a familiar excuse always offered for adopting a loan instead of a tax policy with a view to lightening the burden of the living generation, who are said to be bearing their proper share of the war's burdens in the direct loss of life and property.³

One peculiar objection was raised to such taxation as was embodied in the above act of 1863. The Provisional Constitution of 1861 had granted the Congress practically un-

¹ Act May 1, 1863; *Richmond Examiner*, June 4, 1863; *Rep'ts Sec'y Treas'y*.

² *Confed. Archives*: Register to Sec'y Memminger, & T. Allan to same, Apl. 29, 1864.

³ Sumner, *Financier Am. Revol'n*, II, 6, 21, 72-8; Sparks, *Diplom. Corresp.*, VII, 423 & ss. (Robert Morris, 1781); *Charleston Mercury*, Mch. 23, 1863 (edit.).

limited powers of taxation, and had omitted the familiar requirement of apportioning direct taxes according to representation. The war tax of 1861, therefore, was strictly constitutional. But the later act was subject to the limitations of the Permanent Constitution, which was then in force, and which contained a provision, similar to the one in the United States Constitution, that —

“Representatives and direct taxes shall be apportioned among the several States . . . according to their respective numbers by adding to the whole number of free persons, including those bound to service for a term of years, and excluding Indians not taxed, three-fifths of all slaves.”¹

In the winter of 1863–4 the question of the constitutionality of the Confederate tax of April 24, 1863, was freely discussed. The *Charleston Mercury* held the tax unconstitutional in being direct and not apportioned. President Davis, in his message of December, acknowledged the difficulty of properly apportioning direct taxes as provided by the Constitution, but argued that until the Confederate Census, called for by the Constitution, was taken, direct taxes need not be apportioned. Moreover, he proposed postponing the Census until after the close of the war. The question continued to be a subject for discussion, and gave an opportunity to the advanced States rights advocates, among them the Governor of Georgia, to urge their position.²

Similar States rights objections to the tax, such as that it could not apply to property exempt by State laws, or to banks of which a State was a part owner, were overruled by the Attorney-General.³

The chief objection to the Confederate tax, however, was directed at that part of it which taxed farm produce in kind. The burden of the taxes which were payable in money could

¹ *Confed. Perm. Const'n*, I, 2, 3; *U. S. Const'n*, I, 2, 3.

² *Charleston Mercury*, Nov. 11, 1863; Appleton, *Ann. Cyclop. for 1863*, p. 794, and *Charleston Courier*, Dec. 14, 1863 (Pres. Davis' mess.); *Att'y-Gen'l's Opinions*, 1864; *Raleigh Progress*, Dec. 29, 1863; Mch. 4, 1865 (Gov. Ga. mess.).

³ *Att'y-Gen'l's Opinions*, Aug. 29, Oct. 4, 1864.

be and was lightened by delay in paying on the part of the taxpayer, just as had been done during the Revolution. The increasing redundancy of the currency with its concomitant rise of prices put a premium upon delay in paying money taxes, and in the same measure injured the Confederate finances. With a view to obviating this difficulty and assuring the government a prompt revenue, and one in the shape in which it was most needed, namely, of subsistence for the army, the Secretary of the Treasury had urged upon the Congress the imposition of a tax in kind upon agricultural products. He saw in such a measure a means of relieving the government from the necessity of impressing goods or from driving up their price in the open market; the currency would be relieved, prices would be restored to their normal level, and the tax would not be evaded or be subject to the price fluctuations.¹ A bill embodying the Secretary's recommendations was at the time under discussion in the Senate, where it had originated.² The bill became a part of the act of April 24, 1864, as we have seen, and called for the payment to the government of one-tenth of the agricultural produce of the year 1863.

The directness of the tax in kind and its open attempt to put a burden upon the agricultural classes, which in many sections of the South had not yet come to appreciate the burdens of the war, made this tithing system extremely unpopular, especially in North Carolina. It was denounced in unmeasured terms at the numerous public meetings held in that State during the summer of 1863. Some of the resolutions passed are worth quoting.³ One of them declared that—

“the act of Congress, in secret session, without consulting with their constituents at home, taking from the hard laborers of the Confederacy one-tenth of the people's living, instead of taking back their own currency in tax, is unjust and tyrannical, and we solemnly protest against that act.”

¹ *Confed. Archives*: Memminger to Pres. Senate, Apl. 7, 1863.

² *Richmond Examiner*, Apl. 3, 6, 1863.

³ *N. C. Standard*, Aug. 25, 26, Sept. 1, 1863 (§ *passim*).

At another such meeting it was voted —

“that we consider the tithing law not only unconstitutional, anti-republican and oppressive for the simple fact, that if the Confederacy will furnish the people with a sound currency, the government will at all times be able to purchase such supplies as the army may need, provided the people have them to spare. In view of the above facts, and the probability that nine-tenths of the people in this section of the country will have nothing to spare, we are opposed to the payment of the same.”

On another occasion it was voted that —

“we pledge ourselves to each other to resist, to the bitter end, any such monarchical tax — any such contempt to our State — to pay such a tax to a Virginia tithingman.”

By another gathering the tax was called “unjust, tyrannical, and oppressive, and a relic of barbarism, which alone is practised in the worst despotisms,” in which the remonstrants were not very far from the truth. On the other hand, they seem to have overlooked the fact that the government had to choose between a paper money policy and one of heavy taxation, to both of which the North Carolinians were naturally strongly opposed. A favorite statement embodied in a large number of resolutions ran thus : —

“We are in favor of a just and equitable system of taxation, so that all classes may bear their burden equally; we are, therefore, opposed to the tithe system . . . discriminating against and taxing the labor and industry of the agricultural classes.”

Unquestionably the tax in kind bore heavily on the farmers.¹ The French Assembly and the Continental Congress had in their day met with similar opposition to such taxes which had been introduced with a view to meeting exactly similar currency difficulties.² In all these cases the motive

¹ *Petersburg Express*, Nov. 9, 1863; *Ga. acts* Nov. 18, Dec. 1, 1863; *N. C. Standard*, Dec. 4, 1863 (Gov. Ga. mess.).

² von Sybel, *French Revol'n* (1869), IV, 337; Sumner, *Financier Am. Revol'n* (*passim*).

which led the government to substitute a tax in kind for one payable in money was the chief cause of the unpopularity of the tax measure. The North Carolina farmers were "willing to pay any reasonable tax in *money*," but they resented parting with their *produce*.

In its loan policy the Confederate government had similarly aimed to avoid the results of its paper money policy by instituting produce loans.¹ It will be remembered that, in attempting to exempt itself from the deranged money system, the government was forced to revert to barter and accept all the disadvantages of that earlier form of exchange. So, too, in the policy of taxing in kind, the wastefulness of that primitive process of collecting government revenue became very apparent. There were great delays in forwarding the supplies as they were collected; means for packing them were often wanting; large quantities of food were left exposed and became ruined, a repetition of the Revolutionary experience.² There was also the familiar complaint of unauthorized persons collecting the tax.³

The amount of produce collected by the tax in kind cannot be determined. By the end of 1863 its value was put officially at a little over five millions of dollars, equal to less than \$350,000 in specie at the time of collection, or equal in the open market to perhaps 425,000 bushels of corn, or 1½ millions of pounds of bacon. North Carolina, Georgia, and Alabama were the largest contributors to the tax, nearly two-thirds of its proceeds coming from those States. By June, 1864, North Carolina had contributed nearly 3 millions of pounds of bacon, over 75,000 tons of hay and fodder, 770,000 bushels of wheat, besides various quantities of other produce, valued at the time at perhaps \$150,000 in specie. During the six months following April 1, 1864, the value of the produce collected by the tax in kind was over 140 millions of dollars, or about \$7,000,000 in specie, the further

¹ See pages 10 & ss.

² *N. C. Standard*, Sept. 8, Dec. 4, 1863 (quoting other newspapers).

³ *Off'l Rec'ds Rebellion*, 1st S., XLVIII, pt. 1, p. 1311.

equivalent in the market of say 15 millions of pounds of bacon, 45 millions of pounds of meal, enough to constitute 30 millions of rations according to the then prevailing regulations, or enough to support armies aggregating one million men during one month.¹ This computation roughly indicates the burden put upon the people by the tax in kind. It was natural that such a direct burden should be resented. Indeed, the agitation against the imposition of such a tax became so strong that the Congress was obliged to relax its provisions by an act of December 28, 1863, which allowed the commutation of the tax upon sweet potatoes by its payment in money. This was an important concession, and put the administration of that part of the tax in the hands of the Treasury officials instead of in the hands of the War Department. On January 30, 1864, a similar act was passed transferring the collection of the tobacco tithe from the War to the Treasury Department. As long as the post quartermasters collected the tobacco, it was distributed among the troops; but by entrusting the Treasury officials with its collection, the government acknowledged the desire for speculation in tobacco as its motive in obtaining a supply of that article, which with cotton formed the basis of the lucrative export trade to foreign countries and to the North, as has been shown in a preceding chapter.

Notwithstanding the opposition to the tax in kind, it was re-enacted on February 17, 1864, though with some modifications by which its stringent features were somewhat relaxed. Liberal exemptions were provided, especially in the case of soldiers' families and of small farmers. A later act of June 10, 1864, made further concessions to the taxpayers by extending the time of the delivery of the tax by three months, by allowing the corn tithe to be commuted in money, and by exempting garden produce for family consumption and crops

¹ *Columbus, Ga., Daily Times*, Jan. 28, 1864 (Pres. Davis to H'se of R.); *Raleigh Progress*, July 4, 1864 (Rep't Collector, N. C.); *Rep't Sec'y Treas'y*, Nov. 7, 1864; *Off'l Rec'ds Rebellion*, 4th S., III, p. 592 (Gen'l Orders, Aug. 16, 1864).

destroyed by accident or by the enemy. This persistent tendency to allow the commutation of the tithe and thereby destroy its characteristic feature is noticeable. It reappeared in the act of March 13, 1865, one of the last of the war. The frequent concessions to the burdened taxpayers are also noteworthy.

In the discussions of the Congress during the winter of 1863-4 which led to the passage of the famous Funding Act of February 17, 1864, plans for heavy taxation formed no small part. The *Richmond Examiner* and other newspapers urged a policy of heavy taxation as the only means of correcting the redundant currency. It was truly said: "The Confederacy has been more prodigal of its blood than of its money;" and a Representative declared the cry about extravagant taxation groundless. He claimed that upon a specie basis persons were being taxed 1% or possibly 1½% of their property, and demanded an increase of the rates.¹ The Secretary of the Treasury proposed, in his report of December 7, 1863, to raise 100 millions by taxation and 300 millions by loans. On the basis of the assessment of the original war tax of 1861, he figured the then value of taxable property's being 3000 millions; a 5% tax would net say 120 millions, half of which would be available for purchasing supplies, the other half for paying the interest on bonds for a thousand millions to be issued. This tax he proposed to add to the still existing tax on incomes and profits.

The outcome of the Secretary's recommendations and the prolonged discussions in the Congress was, first and foremost, the famous Funding Act passed by the expiring first Congress on February 17, 1864. On the same day the tax of April 24, 1863, was re-enacted; its provisions remained unchanged, except in so far as they were affected by another act of the same date which levied additional taxes. These comprised 10% on the value of gold and silver plate, and 5% on that of

¹ *Richmond Examiner*, Dec. 3, 13, 19, 24, 25, 1863; *Memphis Appeal*, Nov. 5, 1863; *N. C. Standard*, Jan. 8, 1864; Ala. j't. resol'n, Dec. 8, 1863; *Charleston Courier*, Oct. 2, Nov. 26, 1863; *Petersburg Express*, Nov. 29, 1863.

all property not otherwise taxed by this act or by the tax in kind, — the assessment to be based on the market value of the property in 1860 ; 5 % on all solvent credits at home and abroad, currency other than Confederate notes and not employed in a business already taxed, coin and bullion, and all shares in corporations ; an additional 10 % tax upon the profits from any business ; and a 25 % tax upon the profits of any concern in excess of 25 %. The usual exemptions were allowed, especially in the case of soldiers' families. The assessment of the taxes was to be made at once ; their collection, on June 1, 1864, or as soon after as practicable, a further extension of 90 days being allowed in the case of the States west of the Mississippi River. The tax on invested capital included that invested in Confederate bonds, provided the tax did not exceed the interest ; and the holdings of minors or lunatics were taxed only if the interest exceeded \$1000. The wording of the act indicates that there was a large amount of arrears from the former tax act, which the latter to some extent displaced. So, for instance, the 8 % tax on property and the 1 % tax on credits were suspended during 1864, as was the tax upon income from property or effects.

It is evident, from the report of the Secretary of the Treasury of May 2, 1864, that the chief difficulty with levying the tax was that the government's revenue consisted almost entirely of depreciating treasury notes and certificates, in which most of the revenue was paid. The more the government leaned to relying upon taxation in kind in order to avoid the difficulty, the more anxious were the taxpayers to substitute a money tax for the tithe ; and the Congress was compelled to yield to the popular demand, and, contrary to the advice of the Secretary, allowed the payment of the 5 % tax upon specie in its equivalent in treasury notes.¹ The same act repealed the 5 % tax upon corporate stocks, and provided that corporations should be treated as individuals.

On paper the existing taxes were extremely onerous, and were even added to on June 10 and 14, 1864, by a horizontal

¹ Act June 14, 1864 (2d C., 1st S., ch. 44, § 3, I).

increase of rates of one-fifth, to apply to those levied in 1864, — the proceeds to go first to meeting the increase in the soldiers' pay, — and by an additional 30 % tax upon sales made between February 17 and July 1, 1864. The imposition of these excessive rates indicates the straits to which the Confederate government was driven. The hopeless condition of the revenue system is further suggested by the proposals made during the last session of the Confederate Congress, some of which were embodied in legislation at its very close. Secretary Trenholm renewed the recommendations of his predecessor.¹ He proposed an increase of 5 cents in the cotton export duty, also enlarged import duties. These, however, counted for little. The existing taxes on property and earnings he deemed merely nominal, amounting annually to only $1\frac{1}{4}$ % of the value of all property; and proposed to increase them greatly. Bills were introduced in the Congress, which body, after hesitating long between note issue and heavy taxation, chose the latter, and enacted a tax measure, on March 11, 1865, which imposed extreme rates upon the objects covered by previous tax laws.² The assessment of the tax was to be made at once, and payment was due on June 1, 1865, "or as soon thereafter as practicable." The tax in kind was continued, and could not, as heretofore, be set off against the money tax upon agricultural property; the taxes on incomes and salaries were also continued; specie and foreign credits were taxed 20 %; other credits were taxed 5 %, except that the interest from State or Confederate bonds was taxed as income in lieu of taxing the principal; profits from sales during 1865 were taxed 10 % in addition to the tax upon profits as income; profits in excess of 25 % were taxed 25 %; all other property was taxed at the rate of 8 %, but on the basis of the 1860 valuation; and, finally, all the above rates were increased by one-eighth to provide a money revenue for the payment of the increased soldiers' wages. ✓

¹ *Rep'ts Sec'y Treas'y*, Nov. 7, Dec. 15, 1864, Jan. 9, 1865.

² Act Mch. 11, 1865 (text in MacPherson, *Rebellion*, 613); *Off'l Rec'ds Rebellion*, 1st S., XLVII, pt. 3, p. 713 (Sec'y Trenholm to Gen. Lee, Mch. 11, 1865); *N. Y. Times*, Feb. 25, 1865 (1-4), quoting *Richmond Examiner*, Feb. 21, 1865.

Even these severe rates did not meet Secretary Trenholm's wishes,¹ and on the last day of the Confederate Congress a characteristic act was passed² levying a 25 % tax, payable in kind on April 1, 1865, upon all coin and bullion and foreign exchange, provided the specie loan of the same date failed. This last tax act accentuates the difficulty the government had constantly labored under. By instituting a paper money policy it had on the one hand necessarily delayed the collection of the belated taxes it levied by encouraging the taxpayer to postpone payment and let the constant rise in general prices relieve him of some of the tax burden; on the other hand it put insurmountable difficulties in the way of the government's obtaining its revenue in a form available for its use, or in converting its revenue from currency into army supplies.

The State and local finances of the South reflected the fiscal policy of the central government, as has been shown in describing the extensive issues of State and local currency. In the matter of taxation the movement to relax its enforcement began early during the war, in Alabama, before hostilities had opened. The collection of the taxes for 1860 and 1861 was postponed. Similar action was taken by the Florida legislature. The Mississippi legislature was particularly active in extending the time for the payment of taxes to the State and to the counties. Assessments were postponed, and the collection of one State tax was deferred till a year after the close of the war. Georgia similarly deferred the collection of taxes, it was claimed for the benefit of the tax collectors and not of the taxpayers. Louisiana, too, postponed the collection of most of the State taxes.³

¹ *Raleigh Progress*, Mch. 14, 1865 (Pres. Davis, mess.); Mch. 29, 1865; *Richmond Whig*, Apl. 14, 1865 (Trenholm to Treas'y agent, Mch. 17, 1865).

² Act Mch. 18, 1865 (text in *Raleigh Progress*, Mch. 20, 1865).

³ Ala. acts Feb. 8, Dec. 10, 1861; Fla. act Dec. 13, 1861; Miss. acts Aug. 6, Dec. 20, 1861; Jan. 29, 1862; Jan. 3, Nov. 23, 1863; Apl. 2, 5, 1864; Ga. act Dec. 11, 1861; *Augusta Chron. & Sent.*, Dec. 6, 1864; La. acts Jan. 23, 1862; Feb. 9, 1864; Va. j't resol'n, Mch. 11, 1861.

In some cases particular taxes were altogether suspended, as in Mississippi, where the levee taxes were given up early in the war. In Virginia the issue of bonds and notes provided such an ample revenue that the act of March 28, 1863, raising the tax rates to 1 % on property, \$2 on polls, and $2\frac{1}{2}$ % on incomes in excess of \$500 was suspended a year later. This action was excused at the time by the heavy burdens the recent Confederate tax measures were putting upon the people. There was a general feeling that if these were heavy, the State taxes could reasonably be made light; in fact, the latter, it was said, had been little more than nominal during the current year.¹

In Georgia the frequent laws limiting the tax rate to a certain figure, and exempting certain classes from taxation, are suggestive of the tendency to yield to popular pressure and reduce the tax burden at a time when people thought themselves sufficiently burdened with the immediate and direct effects of the war.² Arrears in taxes were common, as is evidenced by laws aimed at delinquent taxpayers. Defaulting tax collectors were also the subject of legislation.³

Nominally many of the States enforced their State and local tax systems during the war, and often raised the rates. In North Carolina the State tax on real estate rose from $\frac{1}{8}$ of 1 % in 1861 to $\frac{3}{8}$ of 1 % in 1863, and to 1 % in 1864. The revenue from the State tax correspondingly more than doubled between the years 1861 and 1863, at least as expressed in currency; in specie value the tax revenue of the State fell off one-third in 1862, and one-half in 1863.⁴ Similarly in South Carolina the rates of taxation fixed for 1861 were repeated for 1862 and 1863, and were considerably raised

¹ Miss. acts Aug. 6, 1861; Nov. 25, 1863; Ala. act Feb. 8, 1861; Ark. act Nov. 12, 1861; Va. act Mch. 3, 1864; *Richmond Examiner*, Feb. 25, 27, Mch. 1-3, 1864.

² Ga. acts Dec. 12, 1863; Nov. 18, 1864; Mch. 4, 11, 1865.

³ *Charleston Courier*, June 7, 1862; N. C. act July 3, 1863; Va. act May 17, 1862; *Cotton States* (Gainesville, Fla.), June 21, 1862.

⁴ N. C. acts Feb. 23, Sept. 23, 1861; Feb. 11, 1863; Dec. 23, 1864; *Raleigh Progress*, Nov. 19, 1862; Feb. 16, Dec. 18, 1863; Feb. 23, 1864; *N. C. Standard*, Dec. 1, 1863; *Rep't N. C. Compt'r*, 1861.

for the two following years. The tax on land was raised from $1\frac{3}{10}\%$ of its assessed value in 1861 to 2.93 % in 1864, and 6 % in 1865; on city lots from $\frac{22}{100}\%$ to $\frac{88}{100}\%$ and to 1 %; on slaves from \$1.26 per head to \$2.84 and to \$4; and the 1 % tax on professional incomes as well as the elaborate license taxes were correspondingly raised, and new ones were provided, like one of $2\frac{1}{2}\%$ on importing and exporting companies. The financial results were apparently no more favorable than in the case of North Carolina.¹

In Texas State taxes were levied on property and polls, also the usual license taxes; but they were presumably not rigidly enforced.² In Virginia the State tax rates were fixed as follows in the spring of 1861: $\frac{4}{10}$ of 1 % on real and personal property, 1 % on incomes in excess of \$500; a poll tax of 80 cents on adult whites and free male negroes; a variety of license tax was also provided for. The rates were somewhat raised in 1862; their increase in 1863 was repealed; and in 1864 the tax rate on property was lowered. The total tax revenue of the State during the fiscal year 1861, ending September 30, may be put at two millions in specie, — \$400,000 less than in 1860; the figure for 1864 was over $7\frac{1}{2}$ millions in currency, or say \$330,000 in specie. This great falling off is only in part explained by the overrunning of parts of the State by the enemy and the defection of the western counties. Evidently the rise in the tax rates amounted to little in comparison with the inflation of prices in the case of specific taxes and the general laxity in assessing and levying the *ad valorem* ones.³

In some States the tax rates were materially raised or special war taxes were levied, but we have no means of determining their results, and are left to surmise that no consider-

¹ N. C. acts Jan. 28, Dec. 21, 1861; Feb. 6, Dec. 17, 1863; Dec. 23, 1864; *Rep'ts S. C. Compt'r-Gen'l.*

² Tex. acts Jan. 11, 13, 1862; Mch. 6, Dec. 16, 1863; *Augusta Chron. & Sent.*, Oct. 28, 1864; Appleton, *Ann. Cycloped. for 1865*, p. 788; Raines, *Six Decades in Texas*, 478.

³ Va. acts Apl. 3, 1861; Mch. 27, 1862; Mch. 28, 1863; Feb. 6, Mch. 3, 1864; Gov.'s mess. Jan. 7, 1861, Jan. 7, 1863; *Rep't Va. Aud.*, Oct. 3, 1864.

able revenue was thus provided, certainly no more than had been collected previous to the war. In Arkansas the counties were authorized to levy a war tax upon property taxed for State purposes, the rate being limited to $\frac{1}{4}$ of 1%. In Mississippi a special tax, equal to one-half of the regular State tax, was levied within a fortnight of the State's secession, also a tax of $\frac{8}{10}$ of 1% on money and credits, the proceeds to constitute a military fund. Two years later these taxes were suspended, except as regards the property of transient persons or venders,—an interesting suggestion of the predominant particularistic feeling. The discontinuance of these “irrepealable” taxes was justified by the Federal raids and the general bankruptcy, public and private, of the community. However, a special tax was authorized to provide for the relief of the destitute families of Confederate soldiers. Still later a direct tax in kind was levied for the same purpose, also a tax upon the profits of manufacturing. It is noticeable that in levying special taxes the States aimed at taxing objects hitherto unknown or untouched. So, for instance, the Mississippi measure was specifically directed at the large profits of the manufacturers, whose business, as we have seen, the trade restrictions of the war made especially profitable. Similarly in Alabama a State tax was aimed at discouraging speculation in government securities by levying a tax of $37\frac{1}{2}$ cents upon every \$100 in State or Confederate bonds, unless these were bought direct from the government, or were expressly exempt from taxation. A year later another tax act was directed at profits from speculation. In Georgia, too, special tax measures were aimed at large profits from business as distinct from the earnings of the agricultural producers. The exorbitant rates fixed make it seem likely that they were not enforced with any degree of strictness. In North Carolina the manufacturers and transportation companies also received attention from the tax laws.¹

¹ Ark. ord. May 11, 28, 1861; Miss. acts Jan. 26, Dec. 16, 1861; Jan. 3, 1863; Brough, *Tax'n in Miss.*, 189-90; Ala. acts Dec. 10, 1861; Dec. 8, 1863; Dec. 13, 1864; Ga. acts Apl. 18, Dec. 14, 1863; N. C. acts Feb. 11, Dec. 12, 14, 1863.

A general survey of the finances of the States will show that they reflected the loan policy of the Confederate government, and that little reliance was put upon taxation to meet either the current or the extraordinary expenses of the States. We have already seen to what extent State treasury notes were issued, and how generally the States avoided raising their share of the first Confederate war tax by actually taxing their citizens, but at all events they made large advances for military purposes at the outbreak of hostilities and even before, and were subsequently reimbursed by the Confederate Treasury.¹

Alabama began her policy of borrowing by issuing one million dollars in notes in February, 1861, appropriating half of this amount to "the cause of Southern independence" by a loan to the Confederate Congress. The "liberal offer" was accepted on February 8, the day of the adoption of the Provisional Constitution. Almost immediately thereafter, the State legislature borrowed \$100,000 to meet the salaries of its members. The same session provided for the issue of two millions in bonds; and from then on the legislature continued to authorize loans, either treasury notes or bonds, and in general expressly for the purpose of meeting a deficit in the State treasury.² Arkansas presumably adopted the same policy.³

Florida and Georgia plunged at once into debt, the latter two months before, the former a month after seceding; Georgia by creating a military fund for the defence of the State out of the proceeds of an issue of bonds, Florida by applying to the banks for a temporary loan and also authorizing half a million dollars in 8% bonds. Of the later financial history of Florida we only know that note issue followed note issue; of Georgia we know that in the fall of 1864 18 millions of State currency and nearly 6 millions of bonds

¹ Acts May 10, Aug. 30, 31, Dec. 14, 1861; Jan. 27, Apl. 9, 1862.

² Ala. acts Feb. 6, 8, Dec. 10, 1861; Dec. 9, 1862; Dec. 7, 1863; Dec. 13, 1864; *DeBow's Rev.*, July, 1861, p. 95.

³ Ark. act Nov. 18, 1861; *Appleton, Ann. Cyclop. for 1861*, p. 24.

were outstanding, which indicates the extent to which the State relied upon its borrowing power in providing a revenue.¹

In March, 1861, Louisiana similarly set aside half a million out of her levee and drainage fund, — which probably exhausted it, — as a military defence fund, and at the same time the Governor was authorized to secure a temporary loan of \$300,000 from the banks, but free of interest. In 1862 a large State loan was authorized, and two years later a still larger one, but their success could not have been appreciable.²

In Mississippi note and bond issues went hand in hand, as has been shown above. The notes were exchangeable for the bonds, both of which were authorized in immense amounts.³ The last loan act of March 9, 1865, provided in desperation for half a million of 8 % bonds, and also for the sale at any price of Confederate securities, bonds, certificates, interest-bearing and old notes, which had accumulated in the State treasury.

In North Carolina the same policy of issuing large amounts of notes and bonds was adopted. Five millions were appropriated for war purposes before the State seceded, and thereafter immense sums were set aside for the same purpose, and were raised partly by issuing notes, but to a large extent by floating State bonds. During the fiscal year ending September 30, 1861, two-thirds of the State's receipts were from loans; during the next year, nearly three-fourths. The State debt, which had been less than 10 millions of dollars in 1860, rose quickly to 21 millions in 1862, 26 millions in 1863, and 30 millions in 1864, — to the last figure should also be added an accumulated county indebtedness of 20 millions.⁴

¹ Fla. acts Feb. 11, 14, 1861; Ga. act Nov. 16, 1860; *Memphis Daily Appeal*, Oct. 21, 1863 (quoting *Augusta Constitutionalist*); *Augusta Chron. & Sent.*, Oct. 27, 1864 (*Rep't Ga. Compt'r-Gen'l.*).

² La. acts Mch. 20, 1861; Jan. 23, 1862; Feb. 8, 1864; 37 La. 412; *DeBow's Rev.*, July, 1861, p. 94.

³ Miss. acts Jan. 26, 1861; Jan. 29, 1862; Aug. 9, 13, 1864; Mch. 9, 1865.

⁴ *Newbern Progress*, Mch. 28, 1861; N. C. acts Mch. 11, June 28, Sept. 8, 20,

Immediately upon passing the ordinance of secession, South Carolina authorized the issue of \$400,000 of 6 % bonds for the military defence of the State. This was soon followed by a larger issue of 7 % bonds, and thereafter by successive issues of still larger amounts, generally for the military defence of South Carolina, but also to make loans to intending builders in Charleston after the destructive fire in the fall of 1861; and also two years later to supply the State with the capital necessary to subscribe to the stock of the Importing and Exporting Company of South Carolina. We gather from the scanty records available that South Carolina kept within bounds in her loan policy. The State debt rose to nearly 5 millions in the fall of 1861, and to 6½ millions a year later, but did not materially exceed that figure during the rest of the war. Moreover, as we have seen, the State stood first in raising her quota of the Confederate war tax by actual taxation. The revenue from taxation for State purposes was considerable, even during the last year of the war.¹

The State finances of Tennessee are connected with the Southern cause during the first part of the Civil War. At the time of the State's secession an issue of 5 millions in 8 % bonds was authorized by the legislature. By the fall over four and a half millions had been raised by this issue of bonds, the rest almost entirely by loans, presumably forced, from the Bank of Tennessee.²

Of Texas' State finances during the war we know very little. Evidently the State and counties borrowed to meet increased expenditures, but there are indications that the

Dec. 1, 1861; Feb. 26, Dec. 20, 1862; Feb. 6, Dec. 14, 1863; Dec. 15, 1864; *Rep'ts N. C. Compt'r*; *Raleigh Progress*, Nov. 17, 1862; Dec. 18, 1863; June 29, Nov. 26, 1864; Sept. 8, 1865; *N. C. Standard*, Dec. 1, 15, 1863; June 21, 28, 1864; *N. C. Convention 1865, Exec. Doc's*.

¹ S. C. acts Dec. 27, 1860; Feb. 22, Dec. 21, 1861; Dec. 17, 1863; *Charleston Courier*, Mch. 7, 21, Nov. 6, Dec. 10, 1861; June 3, Nov. 27, 28, 1862; *Rep'ts S. C. Compt'r-Gen'l*.

² Appleton, *Ann. Cyclop. for 1861*, p. 681; *Off'l Rec'ds Rebellion*, 1st S., LII, 90, 159.

State's credit was not extensively employed at the beginning of the war. By the end the State had accumulated a large floating debt. We surmise, however, that the distance from the scene of active military operations relieved her from the heavy financial burdens which were put on most of the other Southern States.¹

In Virginia the issue of State bonds fell far behind that of State treasury notes. The large bonded indebtedness of the State in 1861, — 33 millions, — which was largely the result of the "improvement" craze of the decade before the war, was not greatly increased during 1861-5. The State's credit was such that it made it practically impossible to float any bonds in addition to those that had been put on the market during the fifties.² The interest due on the State bonds held by some of the trust funds was appropriated to the military defence of the State. The payment of interest due to non-resident bondholders was stopped by the Virginia Convention in June, 1861. This must have amounted to at least one-third of the total interest charge. The remaining bondholders apparently received their interest till January, 1862; thereafter it remained unpaid.³

North Carolina must have followed Virginia's example. In the fall of 1862 there was half a million of unpaid interest upon the State bonds; in 1863, over one million; in 1864, 2½ millions; and in 1865, over 4 millions.⁴ In some of the other States efforts were made to raise the necessary amount to meet the interest charge. In Alabama the sum was borrowed; in Texas cotton bonds were sold for the purpose; in Tennessee at least those loyal to the South received their

¹ Tex. acts Apl. 8, Dec. 9, 1861; Jan. 11, 1862; Mch. 3, 1863; *Augusta Chron. & Sent.*, Oct. 28, 1864; Appleton, *Ann. Cyclop. for* 1865, p. 788.

² Gov. Va., mess., Dec. 2, 1861, Jan. 7, Sept. 3, Dec. 7, 1863, *Rep'ts Comm'rs Sink'g Fund* (State Doc's); *10th U. S. Census* (47th C., 2d S., Misc. Doc. 42, pt. 7, pp. 554-5).

³ Va. acts June 26, 1861; Mch. 13, 1862; 18 Gratton, 338 (Apl. 15, 1868); *Richmond Dispatch*, Dec. 4, 1862; *Rep't Sink'g F'd Comm'rs*, Nov. 19, 1863; Gov. Va. mess., Dec. 7, 1863.

⁴ *Raleigh Progress*, Nov. 17, 1862; Nov. 26, 1864; *N. C. Standard*, Dec. 15, 1863; *N. C. Convention* 1865, *Rep't Treas'r.*

interest in 1861; and in South Carolina no distinction was made between resident and non-resident bondholders.¹

The limited view we obtain of the finances of the Southern cities during the war presents in miniature the same picture as that offered by the fiscal policy of the States and of the Confederacy. We have already seen² how the cities fell in line with the latter in issuing large quantities of paper money. In the matter of taxation, too, the collection of municipal taxes was postponed and delayed. The revenue from taxation, for instance in Charleston, of which we have the best and fullest information, fell off considerably, while the tax rates remained unchanged, and indeed were much reduced in 1864. The figures available for the other leading cities are too fragmentary to more than suggest their fiscal policy, which must have become largely involved by the issue of municipal notes, and to some extent by bond issues. Unquestionably some municipal taxes were levied and collected, but they were presumably not very extensive.³

To the student of our country's history that of the Confederate States is the story of a fierce struggle against overwhelming odds, the culmination of an inevitable conflict the foundations of which were laid in an earlier period. To the economist the history of those four years is the picture of anomalous economic conditions. He studies the financial and industrial phenomena presented there as the psychologist seeks enlightenment in the study of abnormal psychology. To the economist the war does not centre about the heroic efforts of the South to resist the strategy of the Northern generals, but it centres about the picture it presents of the negation of normal economic forces.

¹ Ala. act Dec. 8, 1863; Tex. act May 28, 1864; *Merchants' Mag.*, XLV, 424 (1861); *Charleston Courier*, Jan. 24, 1863.

² See pages 153-5.

³ *Charleston Courier*, Mch. 15, Oct. 10, 15, 17, 1861; Feb. 8, Mch. 10, Dec. 31, 1862; Jan. 24, Mch. 4, Oct. 31, 1863; May 31, 1864; City ordinance, Feb. 8, 1862, quoted in *Charleston Mercury*, Apl. 30, 1862; *Richmond Examiner*, Feb. 24, Dec. 16, 17, 1863; Va. acts Mch. 18, 1861; Mch. 18, 1864; Ga. act Nov. 26, 1863; *New Orleans Price Current*, June 15, 1861; *Raleigh Progress*, Jan. 9, 1865.

The war, by its pressure from without and its coercive measures from within, wrecked the industrial organization of the South, — aside from the emancipation of the slaves, an after effect of the war, which does not come within the purview of our study. The blockade — the most effective military weapon of the North — forced upon the South an economic isolation, which deprived her of all the advantages that modern international trade and credit relations might otherwise have offered, and compelled her to revert to earlier industrial forms. This reversion was the more disastrous to the South owing to the backwardness of her industrial development in comparison with the North's, largely the result of slavery as an institution. The blockade together with the inflated currency deranged prices, and inevitably led to violent speculation, which contributed largely to the social and political disintegration that characterized the South during the period. + 1/2

This social disorder was the natural reaction against the military despotism, the necessary outgrowth of the war, and which implied a flat contradiction of the fundamental notions involved in the formation of a "Confederacy." Coercive measures, aside from the compulsory enrolment in the army, were concerned with the financial expedients aimed at a forced transfer of capital from those who had it — the farmers, planters, and capitalists; in a word, from the producers — to the government and the army which consumed it unproductively. The effect of this wholesale destruction of capital we see in the impoverishment of the South, from which it is only slowly recovering, and from which certain sections will perhaps never recover. The capital of the South represented by coin in circulation was the first to go, at least so much as the early loans of the government secured for its use. Trust funds and the investments of educational and similar institutions were quite generally turned into government securities, and the capital they represented was swept away, as were in general the savings of the community. The accumulated wealth of the past was consumed, and not re- a 2/2

placed. Invested capital of even the most permanent character was worn out or destroyed.

The methods employed by the Confederate government to bring about this transfer of capital can be fairly criticised on the score of their ineffectiveness. Taxes were neglected and the fiscal policy which was adopted — the dependence upon paper money issues — immensely aggravated the difficulty of securing the necessary supplies for the army, and weakened the social structure of the South. But the history of Europe, and especially that of the United States, indicates that no statesman or body of statesmen could have devised means of carrying on the war without recourse to such arbitrary and disturbing fiscal devices. War forces inevitably throw those of normal industrial progress out of gear, and put into operation coercive and socially deranging forces, the effects of which in the South have been presented in the foregoing pages.

The verdict passed upon the career of the Confederate States will not emphasize the mistaken financial policy adopted by the government, but rather the fact that, in spite of it, the South maintained herself so long. The Southern cause evoked as much devoted loyalty as has been called forth by any cause in history; and that cause was supported at a cost greater than in any similar conflict. The Southerners' sacrifices far exceeded those of the Revolutionary patriots. They lost everything in their desperate effort to protract the war and avoid its inevitable conclusion; it is probably of little comfort to them to read that something might have been saved from the wreck if the government had adopted other fiscal measures.

1864

186

June

38

31

17

15

20

20

12

11

9.3

4.4

4.7

10

10

11

7.1

5

4.5

4.2

23

6.6

3.6

7

38

31

16

20

11

7.1

4.2

3.6

16 (sim)

1901	1902
Jan. 1. To balance forward 100.00	Jan. 1. To balance forward 100.00
Feb. 1. To balance forward 100.00	Feb. 1. To balance forward 100.00
Mar. 1. To balance forward 100.00	Mar. 1. To balance forward 100.00
Apr. 1. To balance forward 100.00	Apr. 1. To balance forward 100.00
May 1. To balance forward 100.00	May 1. To balance forward 100.00
June 1. To balance forward 100.00	June 1. To balance forward 100.00
July 1. To balance forward 100.00	July 1. To balance forward 100.00
Aug. 1. To balance forward 100.00	Aug. 1. To balance forward 100.00
Sept. 1. To balance forward 100.00	Sept. 1. To balance forward 100.00
Oct. 1. To balance forward 100.00	Oct. 1. To balance forward 100.00
Nov. 1. To balance forward 100.00	Nov. 1. To balance forward 100.00
Dec. 1. To balance forward 100.00	Dec. 1. To balance forward 100.00
Jan. 1. To balance forward 100.00	Jan. 1. To balance forward 100.00
Feb. 1. To balance forward 100.00	Feb. 1. To balance forward 100.00
Mar. 1. To balance forward 100.00	Mar. 1. To balance forward 100.00
Apr. 1. To balance forward 100.00	Apr. 1. To balance forward 100.00

APPENDIX II

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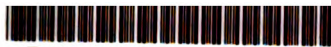
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