**The Economics of a Failed Rebellion**

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HI 398 D - American Civil War

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March 11, 2011

“Too long have we yielded a submissive obedience to the tyrannical domination of an inflated oligarchy; too long have we tolerated their arrogance and self conceit; too long have we submitted to their unjust and savage exactions.” [[1]](#footnote-1) Published in 1859, Hinton Rowan Helper argued in his *Compendium of the Impending Crisis of the South* that the Southern people would soon perhaps need to take up arms in order to defend their way of life. Interestingly enough, Helper was a non-slave holding white abolitionist Southerner. Helper wanted those Southerners like him to take a stand against the opposition from within the South itself. He was furious that the ancient unjust institution was being maintained, and thus retarding the South. The South had once been the economic centerpiece of the United States, but as Helper points out the North has somehow managed to surpass the South in almost every economic aspect. Helper blamed this on slavery; he felt it was a terrible institution that did nothing but hold back the economic expansion of the South. It becomes obvious that the schism that developed between the North and South was an economic issue centered on slavery. With the start of the Civil War, we see that major conflicts can arise when economic disparity is ignored or fermented. The Civil War can be better understood with a basic knowledge of the economics behind it, and in fact it becomes evident that it was most likely the underlying reason of the Confederate failure. When closely viewed, we see that North could have maintained this effort indefinitely while the South was essentially living on borrowed time. It is important historically and economically to understand why this time eventually ran out.

History is made up of cause and effect relationships. To fully understand these relationships we must look at the major factors concerning the events. Possibly being the most notable “cause” of any major disagreements, money is quite possibly the main reason behind this conflict. In the years up to the Civil War, economic disagreements were commonplace throughout the nation. It was simply the most important economic issue prior to the rebellion. Throughout the span of 1820-1860, tariff collections hovered around 90% of all Federal revenue.[[2]](#footnote-2) The tariff was a political and economic hot spot; everyone had something to say. It is no surprise that from the very beginning of America, special interest groups formed based on their own political and economic agenda. The important aspect, that is relevant to the Civil War, is that these interest groups were geographically oriented. The South was a largely agrarian society, while the North was centered on their “infant industry”.[[3]](#footnote-3) With this in mind, it is no surprise that the North was in favor of a tariff to protect industry, while many in the South felt they were being cheated and taken advantage of. The North was on the receiving end of benefits from the tariff, while the South was left out. We know that this was a resounding issue within the South even while the war was still going on. The head of the Confederate Bureau of War, Robert Kean, wrote in his diary on November 30th, 1862 regarding some peace talks that had taken place:

The French consul, M. Paul, returned from a Washington tour two weeks ago, and was very anxious to take back a message to M. Mercier [French Minister in Washington] indicating willingness on our part to listen to terms of pacification. Two points were spoken of – slavery which he admitted was out of all question, and the tariff which was equally impracticable, since the North is sensible that our low tariff would ruin them, and we could think of making it as high as theirs for the converse reason that they would profit at our expense.[[4]](#footnote-4)

So it could be said that two main economic forces driving the conflict were the tariff and slavery; had the North and the South been able to come to some sort of an agreement, perhaps the war could have been avoided. Negotiation simply was not going to be the answer.

These economic and political issues were paramount in Southern eyes. The “terms of trade” were set against them by high tariffs and regulations.[[5]](#footnote-5) But they did have the one card which they thought could trump all else: cotton. “Cotton is King” was the common answer to stifle all worries and concerns about economic future of the South.[[6]](#footnote-6) While yes, the South was dependent on the North for things like textiles, machinery, and almost every “article of utility”, they believed rest of the world was just as dependent on the South.[[7]](#footnote-7) Southern cotton did have a substantial pull in the international market, but it was not the financial juggernaut that the South needed it to be. Their hope was that without Southern cotton “English mills would have to shut down; the operatives would starve; famine and discontent would between them force the British ministry in to intervene in American affairs.”[[8]](#footnote-8) As the war began to play out, this expectation proved to be unrealistic and the vast majority of Southern cotton stayed in the South. Very few had the foresight to see this would be the case, so as for the rest of the South, this must have been a very harsh dose of reality. The once stable co-dependence of the North and South to the rest of the world fell apart due to the economic conflicts surrounding the Civil War.

The simple truth of the matter was that the South was being belittled by the North. In simply the economic sense, Northern states were flying past the South. Hinton Rowan Helper compared the production of several staple states:

In 1850, the products of manufactures, mining and the mechanics arts in New York amounted to $237,597,249; those of Virginia amounted to only $29,705,387. In the taking of the last census, the value of real and personal property in Virginia, including negroes, was $391,646,438; that of New York, exclusive of any monetary valuation of human beings, was $1,080,309,216.[[9]](#footnote-9)

The commercial center of the Union was at one point Virginia, so this disparity would no doubt cause turbulence to any Southerner or someone with particular attachments to Virginia. It would seem that any and all advantages economically were in the North. But what of slavery? Did the South have an advantage in their enormous sum of man power? The simple answer is No. It has been shown that Hinton Rowan Helper was one of the proponents of the idea that slavery deprived the South of the necessary economic moves of catching up to the North, and there are others who have similar ideas. One historian, Stanley L. Engerman, asks, “why maintain the system?”[[10]](#footnote-10) He argues that Southern racism and prejudice bred the idea that keeping the Negro producing agricultural commodities was less expensive than say sending them back to Africa or supporting a civil service that would have to police them. [[11]](#footnote-11) The fact still remains that even if slavery hurt the South economically, it was still a key special interest in that part of the country, and letting it go would not be easy.

In fact it would take a war. The economics of the war itself is a much more interesting. Within the war there are key aspects that are common to even that of a business model. Themes like capital, labor, monetary support and trade are important to understand when talking about economics and the Civil War.

Capital within the Civil War is comparatively the same as the supplies necessary to maintain an army. One of the biggest ironies of the Civil War was that Union Soldiers were kept fairly well fed and equipped to the well developed infrastructure surrounding Charleston, South Carolina.[[12]](#footnote-12) Prior to the war, the city had taken initiative to expand her commercial influence by building railroads which connected the Ohio River with Nashville, Chattanooga, Atlanta, and the Southern Atlantic coast.[[13]](#footnote-13) Unknowingly the South had actually prepared the roads for Union advancements and supplies, making events like “Sherman’s March to the Sea” possible. On the other hand, the South actually had a lot of difficulty keeping her armies supplied. Robert Kean speaks of this problem in his diary:

The question of supplies is becoming more and more particular. The Commissary General of Subsistence reported some weeks ago that he could not supply the army unless allowed to purchase bacon from the enemy at Memphis, with cotton. The Quartermaster General says he cannot get blankets except in that way.[[14]](#footnote-14)

Even in the midst of war, the South had to subjugate themselves and be dependent on the North for supplies. This is because the South just did not have the productive power to supply the war effort. Even for basic wartime supplies such as guns, the South could not supply her armies. The most dependable source for guns was the invading Union army.[[15]](#footnote-15) During the Seven Days Battle and the Battle of Bull Run, Southern troops took nearly 55,000 small arms from Union hands.[[16]](#footnote-16) The Southern difficulty with supply would be a constant hardship for them during the war.

The next economic factor to play a large part in the Civil War was labor. The South had pretty much nothing except men, so one would think that labor would not be a problem; but in line with many Southern aspects, this turned out to be a problem as well. One idea thought up was to make soldiers out of the slaves in the Confederacy, but this was met with stern opposition which can be seen in this correspondence between two Confederate generals:

My first hour of despondency will be the once in which that policy shall be adopted. You cannot make soldiers of slaves, nor slaves of soldiers. The moment you resort to negro soldiers, your white soldiers will be lost to you…[[17]](#footnote-17)

The South was so in need of soldiers that they had to implement a national draft. The Conscription Acts were met with a fierce onslaught of opposition and outcry. Southerners called the acts a violation of states’ rights and a blow to sovereignty.[[18]](#footnote-18) One Southern woman, Eliza Adams, had 8 of 9 sons and son-in-laws selected for conscription and had to appeal to President Jefferson Davis directly to get her last one exempt.[[19]](#footnote-19) Even the state legislature of North Carolina protested the Confederate government and filed a list of grievances.[[20]](#footnote-20) The Governor of North Carolina was actually quoted having said, “It is mortifying to find entire brigades of North Carolina soldiers commanded by strangers, and in many cases our own brace and war-worn colonels are made to give place to colonels from distant states.”[[21]](#footnote-21) Southerners were not so much loyal to the Confederacy as they were to their states.[[22]](#footnote-22) They were connected to their states, it was their home and in a war where their homes were being invaded, getting the labor necessary to protect these homes was of the utmost importance.

Quite possibly the most important aspect continuing a war effort, monetary support was a varying factor for both the North and South during the Civil War. Throughout the war, the Northern population and wealth were steadily increasing while the South experienced economic downturn and dilemma. This is true even that the cost of war for the North was much higher than that of the South: almost double. One historian and economist, James L. Sellers, did a comparative analysis of currency exchange and found that in the coinage of the Union in 1870, the North and the South had spent $3.03 billion and $1.62 billion dollars respectively.[[23]](#footnote-23) The North was able to do this because throughout the war, their “infant industry” maintained working order and so the North was still able to grow despite the financial burden of war.

The last economic aspect that had a strong impact on the Civil War was that of trade. From the start of the conflict, the North was set on gripping the South so tight that any trade was impossible. As one of the steps in the Anaconda Plan, the Union military used its navy to set up a blockade around the South. Southerners expected this plan to backfire on the North; by creating a shortage of cotton in international markets, there would be an incentive for other nations to join the Confederate cause.[[24]](#footnote-24) This returns to the philosophy of “King Cotton”, expecting everything to work out based on the demand for cotton. By April of 1862, the reality of the Blockade began to be really felt throughout the South, making once bustling port cities into overgrown ghost towns.[[25]](#footnote-25) The expectation of outside intervention was a huge strategic failure on the part of the Confederate government. They had failed to take into account the heavy crops in the years previous to the Civil War. During 1861 and 1862, England actually shipped back cotton to the mills of New England.[[26]](#footnote-26) There was not even a noticeable shortage of cotton until late 1862. This happened to be timed with President Lincoln’s Emancipation Proclamation, which made the war (at least in the eyes of Europeans) one of freedom.[[27]](#footnote-27) No government could now afford to intervene for the cause of the Confederates and join the “slavery side”; it would essentially be political and economic suicide.

The economy in America towards the end of the war, both in the North and the South, reflect the actions and events throughout the course of the war. Particularly in the South, there was an especially noticeable transition. In the beginning, there was a fervent support for the war from the women of the Confederacy; one Georgia wife put it this way:

I shall endeavor to curtail domestic expenses and every dollar that we raise beyond legitimate expenses be freely given to our soldiers . . . Their cause is our cause, their defeat would prove our ruin. While our sex are not allowed to mingle actively in the dire of conflict, we can work for those who go and pray kind Heaven’s protection upon them while absent, thus proving that the blood which honored the women of the revolution has lost none of its patriotic fervor in us.[[28]](#footnote-28)

It began like that, but the romantic picture painted here is nothing like the situation come the end of the war. The home front became tired of “proving loyalty by starvation” and the difficulties of living in the crippled economy of the South became too hard to handle. Women began writing letters begging husbands to dissent like “thousands of others had already done”.[[29]](#footnote-29) With the food shortage there was great disgust. Hungry Confederate soldiers could not believe that in the great agricultural arena of the South that there could possibly be a lack of food.[[30]](#footnote-30) Combine this lack of sufficiency with the death of “King Cotton” and the horrors in the theatre of war, there becomes a pattern easy enough to spot that Southern morale was obviously on the way down.

Within the actual Confederate government, there were more issues that needed to be resolved. The Secretary of the Treasury has misinterpreted the inflation caused by the onset of war, and thus the government quickly lost control of the where the Southern economy was going. Personal accounts tell us that there was a mix of circumstances leading to high prices, low production, and hoarding.[[31]](#footnote-31) Robert Kean had made the calculations that his $3,000 Confederate government salary of 1863 would go as far as $700 would have in 1860.[[32]](#footnote-32) This amount of inflation in such a small amount of time is extremely detrimental to an economy. Inflation throughout the war coincided significantly with the events that took place on the battlefields. Inflation in the Confederacy remained fairly manageable until the Battle of Gettysburg and the fall of Vicksburg. At that point it gained steam and rose until the fall of Atlanta. With Atlanta gone, prices hit the roof, doubling in the span of months.[[33]](#footnote-33) Signs were put on street corners reading “Bread or Peace” implying that the Confederate government managed to take away two of the basic necessities for a civilized lifestyle: food and stability.[[34]](#footnote-34) The South was on the way to losing end of the conflict.

Most notably in the South, economic expansion turned into economic destruction. There was really not all that much in the way of hope for a Confederate victory. Collapse of support, loss of will, and inefficiencies of government led the South towards defeat. The reasons for the cause and outcome of the Civil War are much clearer when focused on the economics behind it. The economy of the South was based around the institution of slavery, and due the reluctance of the people of the South, a war was necessary to right the wrong. Perhaps more Southerners should have taken the advice of Hinton Rowan Helper, looked towards the North at “… those magnificent cities and stupendous works of art which dazzle the eyes of the South, and attest the superiority of free institutions!”[[35]](#footnote-35)

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