

CHAPTER Eh

Confederate States of America

Editor: Roger L. Ransom

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Roger L. Ransom

The Confederate States of America existed as a self-proclaimed nation for only forty-nine months – from February 1861 to early April 1865 (see Table Eh-A). The initial steps toward establishing an independent country were taken when South Carolina seceded from the United States on December 20, 1860. Within three weeks, six other slave states – Mississippi, Florida, Alabama, Georgia, Louisiana, and Texas – had followed South Carolina’s lead. On February 4, 1861, Jefferson Davis was sworn in as President of the Confederacy in Montgomery, Alabama. Following the bombardment of Fort Sumter in April 1861, four more slave states decided to join the Confederacy. Map Eh-B shows the territorial boundaries of the Confederate States of America as of June 1861.¹ The founders of the Confederacy had hoped that the remaining four states where slavery was legal in 1860 would also elect to leave the Union. Indeed, representatives from three of those “border” states – Kentucky, Maryland, and Missouri – were allotted seats in the Confederate Congress and actually sent representatives to Richmond. As events turned out, none of these states joined the Confederacy; however, communities in those states contributed men and supplies to the Confederate cause.² Both Union and Confederate troops occupied territory within each of these states at one time or another during the Civil War.

The Confederate government made few efforts to collect statistical data that encompassed the entire country. Indeed, after mid-1862, when Union troops captured New Orleans and thereafter controlled most of the Mississippi River, the Confederate states west of the Mississippi were physically separated from the seven Eastern states. The Department of the Trans-Mississippi West was virtually autonomous for the last two years of the war, governed by a military governor. Consequently, most of the statistical data that have been aggregated by historians for “the Confederacy” are based exclusively on data from the Eastern states.³ The data presented in this chapter have been organized into four basic groups:

¹ On November 26, 1861, a convention met in Wheeling to form a new state of West Virginia. The map does not show the state of West Virginia, which was officially admitted to the Union on June 20, 1863.

² The fourth “slave” state was Delaware, which had 1,798 slaves and 19,829 free blacks out of a total population of 112,221.

³ For the problems of getting statistics on the trans-Mississippi region, see Todd (1954) and Pecquet (1987).

Acknowledgments

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1. Statistics collected by the U.S. Census Offices of 1860 and 1870 for each of the states that seceded from the Union, for each of the border states, and summary totals for the states and territories that remained in the Union;
2. Statistics on the money supply and behavior of prices in the Confederacy;
3. Data on the revenues, expenditures, and debt of the Confederate government; and
4. Data on cotton trade and the Union blockades of Confederate commerce during the war.

The Resource Base of the Confederate States

The data presented in Tables Eh1–49 present a statistical cross section of the states that seceded from the United States in 1861 taken from the U.S. Census of 1860. A second look at the same states in 1870, five years after the surrender of Confederate armies, is taken from the U.S. Census of 1870. Totals for the free states of the Union are also presented for each census. An examination of the data presented in these tables reveals that the Northern states held an enormous edge in manpower and resources. Allowing for a division of resources to each side from the border states, the North had a manpower pool that was roughly twice that available to the South.⁴ The Northern advantage in the production of manufactures was even larger; the manufacturing capacity of the states of New York and Massachusetts alone exceeded that for the entire South. Although the regional disparity in production of foodstuffs and agricultural output was less dramatic, the South’s reliance on cash crops whose markets were outside the region made it vulnerable to economic pressures through a blockade of seagoing commerce. Finally, the data demonstrate how critical the states of the upper South – Arkansas, North Carolina, Tennessee, and particularly Virginia – were to the Confederate war effort. Those states accounted for between one third and one half of the economic resources of the Confederacy.

This sizable advantage of the North in terms of economic capacity provides a somewhat misleading guide to the extent to which the Union had a *military* superiority in 1861. It is important to recall that neither side was prepared for war. The U.S. Army numbered just over 16,000 officers and men in 1861, and at least a third of the men – and a higher fraction of officers – eventually fought for the South. At the outbreak of hostilities, neither the Union nor the Confederacy could immediately equip the men who

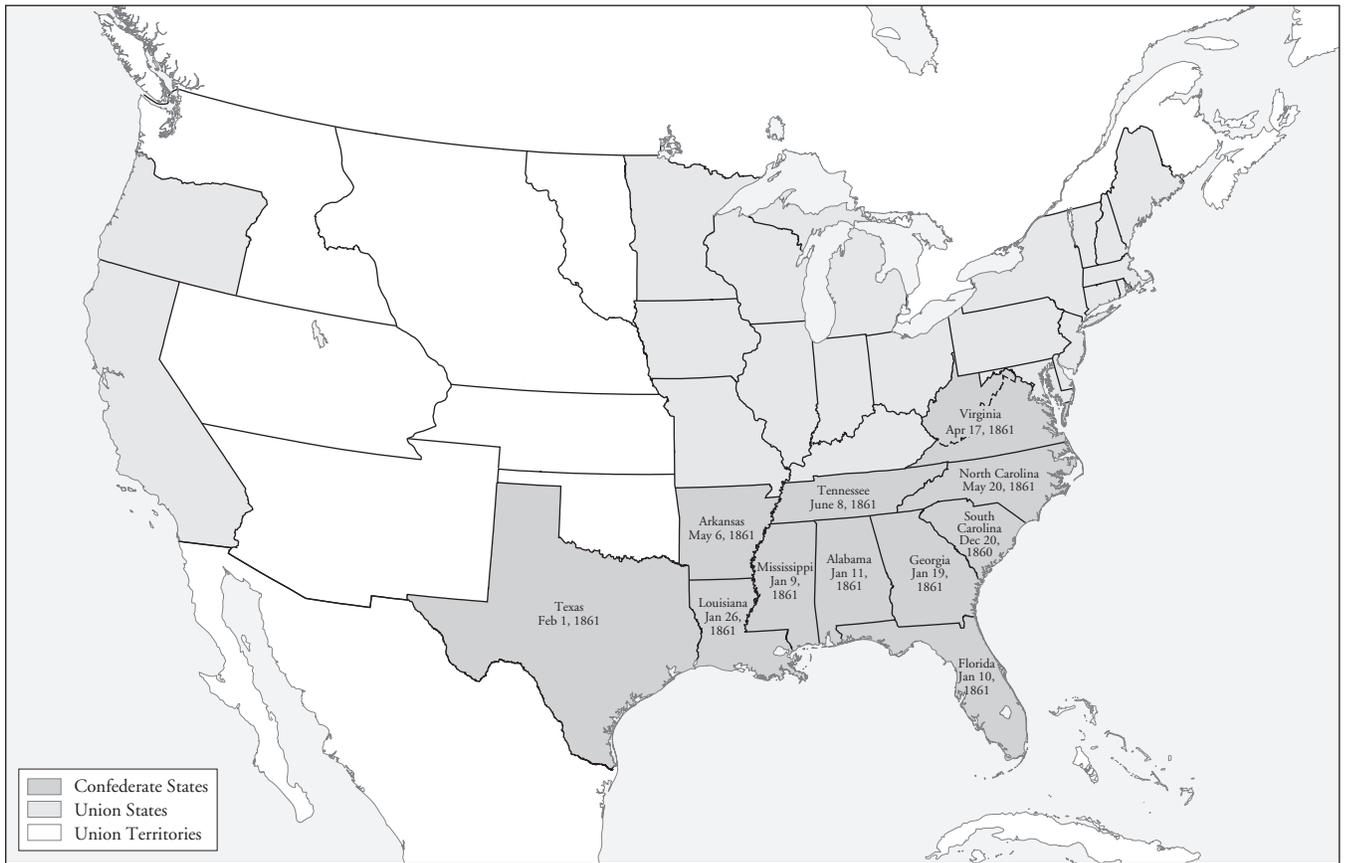
⁴ Although accurate figures do not exist for the recruitment of troops from border states by the Confederacy, an educated guess would be that about 30 percent of the manpower went to the South, with the rest being available to the Union. See Hattaway and Jones (1983), p. 17; McPherson (1988), p. 293; and Ransom (1989), pp. 190–1.

TABLE Eh-A Chronology of events in the history of the Confederate States of America: 1860–1865

1860	
December 20	South Carolina secedes from the Union.
1861	
January 9–February 1	Mississippi, Florida, Alabama, Georgia, Louisiana, and Texas secede from the Union.
February 4	Provisional Confederate Congress meets in Mobile, Alabama.
February 9	Confederate Congress elects Jefferson Davis of Mississippi as President of the Confederate States of America (CSA).
February 18	Jefferson Davis inaugurated as president.
February 19	Davis nominates Christopher Memminger as Secretary of the Treasury.
February 28	Confederate Congress authorizes “15 Million-Dollar Loan” at 8 percent payable in specie (see series Eh217).
March 9	Confederate Congress authorizes issuance of treasury notes “for such sum or sums as the exigencies of the public service may require.”
April 6	Confederates fire on Fort Sumter, Charleston, SC.
April 17	Virginia secedes from the Union.
May 16	Confederate Congress authorizes “50 Million-Dollar Loan” at 8 percent. This was a “produce loan” that could be paid for by exchanging goods for bonds.
May 18	Confederate Congress votes to move its capital to Richmond, Virginia. Congress adjourns and reconvenes in Richmond on July 20.
May 20–June 8	North Carolina, Tennessee, and Arkansas secede from the Union.
July 21	First Battle of Bull Run: Confederates repulse Union advance on Richmond.
August 1	Confederate Congress imposes an export tax on cotton to back the 15 Million-Dollar Loan.
August 19	Confederate Congress authorizes “100 Million-Dollar Loan” and enacts the war tax to back interest payments on the loan (see series Eh216).
September 3–6	Confederate and Union troops enter Kentucky.
November 26	Convention meets in Wheeling to draft a constitution for the new state of West Virginia, comprising counties that had voted to secede from the Confederate State of Virginia.
1862	
February 13	Confederate Congress enacts “An act to organize the clerical force of the Treasury Department.”
March 9	Battle between USS Monitor and CSS Virginia (Merrimac).
April 6–7	Battle of Shiloh: Union Army of Tennessee advances into Mississippi.
April 16	Confederate Congress passes the Conscription Act.
April 29	New Orleans captured by the Union fleet.
June 25–July 1	Seven Days Battles: Union Army of the Potomac turned away from Richmond.
September 17	Battle of Antietam: Lee’s invasion of Maryland turned back.
September 22	Lincoln issues a preliminary Emancipation Proclamation.
October 8	Battle of Perryville: Confederate invasion of Kentucky repulsed.
December 13	Battle of Fredricksburg: Army of the Potomac suffers major defeat.
1863	
January 1	Lincoln issues the Emancipation Proclamation.
January 8	Confederate Congress authorizes “Erlanger loan” backed by cotton certificates (see series Eh221).
March 3	U.S. Congress enacts conscription.
March 26	Confederate Congress enacts “An Act to Regulate Impressments.”
April 2	Bread riots in Richmond.
April 24	Confederate Congress enacts a revised war tax including a “tax-in-kind.”
May 1–6	Battle of Chancellorsville: Lee’s greatest victory – Stonewall Jackson is mortally wounded.
June 20	West Virginia officially enters the Union.
July 1–3	Battle of Gettysburg: Union Army turns back Lee’s invasion of the North.
July 4	Vicksburg surrenders – Mississippi River is controlled by Union forces.
July 13–16	Draft riots in New York City.
September 19–20	Battle of Chickamauga: last major Confederate victory of the war – Union Army is besieged in Chattanooga.
November 24 – 25	Battle of Chattanooga: Union Army under Grant drives Confederates from Tennessee.
1864	
February 17	Confederate Congress enacts “An Act to reduce the currency and to authorize a new issue of notes and bonds.”
May 5–19	Battles of the Wilderness and Spotsylvania: Grant invades Virginia.
June 3	Battle of Cold Harbor: Union assault on Confederate lines repulsed with heavy losses.
June 8	Republican Party renominates Lincoln for president.

TABLE Eh-A Chronology of events in the history of the Confederate States of America: 1860–1865 *Continued*

July 11	Confederate General Jubal Early reaches outskirts of Washington, D.C.
August 31	Democratic party nominates George McClellan for President.
September 2	Atlanta Falls to Union Army under Sherman.
November 8	Lincoln reelected.
November 30	Battle of Franklin (Tennessee): Union Army under Thomas and Schofield destroys the Confederate Army of Tennessee under Hood.
December 22	Savannah occupied by Union Army under Sherman.
1865	
January 31	U.S. Congress approves Thirteenth Amendment abolishing slavery.
February 18	Charleston occupied by Sherman’s army.
March 13	Confederate Congress passes Negro soldier bill – slaves can serve in CSA armies.
April 9	Lee surrenders the Army of Northern Virginia to Grant at Appomattox, Virginia.
April 14	Lincoln assassinated by John Wilkes Booth.
April 26	Joseph Johnston surrenders to Sherman.
May 10	Jefferson Davis captured near Abbeville, Georgia.
December 6	Thirteenth Amendment ratified, abolishing slavery.



MAP Eh-B The Confederate States of America, June 1860–1861

Source

William Thorndale and William Dollarhide, *Map Guide to the Federal Censuses, 1790–1920* (Genealogical Publishing, 1987), p. 8.

Documentation

The states of the Confederacy are named on the map together with the date in 1860 (South Carolina) or 1861 that they seceded from the Union. The

State of Virginia, which then consisted of present-day Virginia and West Virginia, seceded in April 1861, but the counties in the northwest of the state that now constitute West Virginia later seceded from the Confederacy and were admitted as a separate and independent state of the Union in 1863.

were called to arms. Although time would eventually work in the Union's favor with regard to production of war materiel, it was not until 1864 that the Union military machine was finally able to tap the full potential of the Northern industrial economy. Thus, for much of the conflict, the South was able effectively to counter the Union military effort.

Northern critics of the antebellum South saw the region as a "backward" society. Yet that is not the picture of the Confederacy that emerges from a review of Tables Eh1–49. The South had levels of per capita wealth and income that compared favorably with the most well-developed economies of its day. Specializing in the production of cash crops for an export market, plantation slavery was the backbone of a globally successful if morally reprehensible economy that emerged as one of the wealthiest in the Western world by the middle of the nineteenth century.

The potential military prowess of the Confederacy can also be gleaned from evidence on its taxable property presented in Table Eh50–58. One of the facets of the Southern economy that emerges from these data is the enormous investment that Southern planters had made in their chattel labor. Almost half of the total value of assets reported in Table Eh50–58 was in the "value of Negroes."⁵ An important point made by economic historians is that the market value of a slave is a reflection of the slave's productive capacity. Thus, our statistical picture suggests that on the eve of the Civil War the Southern economy was capable of producing more than enough food and basic consumption needs to sustain the population in a war, and Southerners were confident that they could purchase their military needs through the sale of cotton abroad. These expectations rested on the erroneous belief that this would be a short war. No one on either side foresaw a war of attrition that would require a massive mobilization of men and resources by both sides. The belief that the war would be relatively short was particularly damaging to the South, as time was on the side of the North. By the time Southerners realized that a quick victory was beyond their reach, the Union blockade was already seriously interfering with their efforts to secure arms and materiel for the military effort. Southern confidence that the interruption to the cotton trade would be only transitory encouraged planters to continue growing (and stockpiling) cotton rather than switching production to crops that might better serve the war effort.

It took the North four years of protracted fighting finally to put down the "War of the Rebellion." Contrasting the census data for 1870 with the data collected in 1860 reveals just how costly that effort was to the Southern states. Table Eh-C presents some indexes to illustrate the point. Farm values in the South fell by 42 percent, and the number of improved acres fell by 13 percent. The number of workstock in 1870 was still 21 percent below the 1860 figure. Output of foodstuffs fell significantly, and the collapse of production of Southern staples was even more dramatic. All this occurred during a period when the agricultural output and value of farms in the free states was undergoing a dramatic expansion. Yet the declines in output and the value of farms were not the most far-reaching changes in postbellum Southern agriculture. Table

TABLE Eh-C Farms and farm output in the Confederate States – 1870 values as a percentage of 1860 values

Farms	
Number	148
Value	58
Improved acres	87
Workstock	79
Farm output	
Cotton	56
Tobacco	36
Wheat	77
Corn	66
Irish potatoes	84
Sweet potatoes	47

Sources

Tables Eh8–39.

Eh-C shows that from 1860 to 1870 the number of farms in the South *increased* by 48 percent. In fact, the number of farms with fewer than 50 tilled acres more than doubled over the decade, while the number of farms with more than 100 tilled acres *declined* by 17 percent. These figures confirm what most contemporaries claimed: small family farms were created from land that had been plantations run with slave labor before the war. The demise of the plantation and the rise of tenancy completely changed the institutional structure of the South after 1865.

Money, Prices, and Bonds

One of the advantages of a market society from the perspective of a historian is that it leaves us a record of prices paid for goods bought and sold. It was common for newspapers to quote prices of commodities for sale in local markets. In the larger commercial centers such as Richmond, Charleston, Mobile, or New Orleans, statistics on commerce in the city were often reported on a regular basis. Commercial magazines chronicled the prices and flows of commodities traded outside the region. Numerous scholars have sifted through these sources to construct indexes charting the behavior of prices in the Confederacy. Presented here are data from three price studies of the Confederacy: the studies by John Schwab (Table Eh166–193), Eugene Lerner (Table Eh128–130), and Thomas Berry (Tables Eh131–165). Although there are some differences in the data collected by each study, all three show the same trend. From its inception, the Confederate economy suffered from a high rate of inflation that eventually made the government currency worthless either as a store of value or as a medium of exchange.

In addition to the price series, Eugene Lerner constructed the first careful estimates of the Confederate money supply. For economists such as Lerner, the experience of the Confederacy offers an excellent laboratory to test the influence of the rapidly increasing stock of money on commodity prices. In a series of essays, Lerner argued that his data rather clearly showed that despite the distortions of the wartime economy, the fundamental cause of inflation was "the increase in the stock of money and the decrease in real output."⁶ Figure Eh-D plots Lerner's monthly index of prices

⁵ For the five cotton states – Alabama, Georgia, Louisiana, Mississippi, and South Carolina – the fraction of wealth in slaves reported in Table Eh50–58 is exactly 50 percent. This figure agrees with the value of slaves in these states derived by Ransom and Sutch from the number of slaves given in the 1860 Census and data on the estimated prices of slaves in 1860. See Ransom and Sutch (1988).

⁶ Lerner (1955), p. 37. Lerner elaborated on this theme in a series of essays based on his doctoral dissertation at the University of Chicago (1954a, 1954b, 1956).

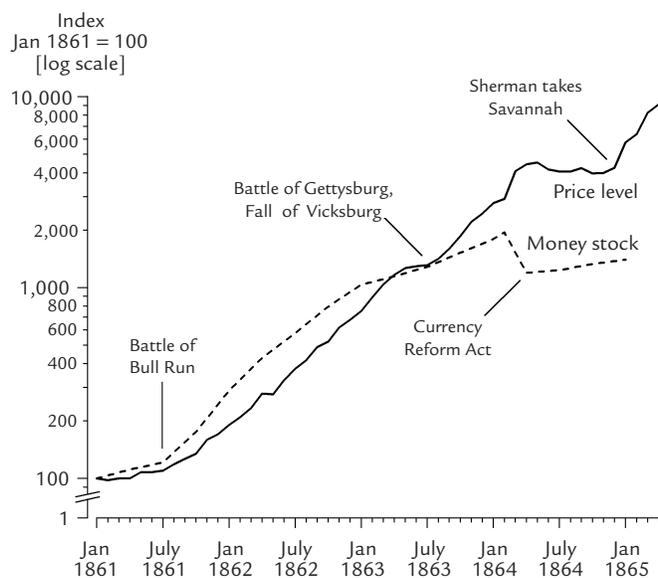


FIGURE Eh-D Indexes of the Confederate money stock and price level: 1861–1865

Sources

Series Eh118 and Eh128.

together with an index of the amount of money in circulation constructed by John Godfrey from January 1861 through February 1865.⁷ Because the data are plotted on a semilog scale, the slope of the lines in figure Eh-D represents the rate of increase of each variable. The inflationary problems of the Confederacy are immediately apparent. From mid-1861 to the end of the war, commodity prices rose by an average of about 10 percent per month.

At first glance, the data appear to confirm what Lerner claimed. The high rate of inflation that began in the spring of 1861 and continued through 1863 coincided with a rapid expansion of the money supply. The sharp reduction of the money supply associated with the Currency Reform Act in early 1864 corresponded with a break in inflation at about the same time.⁸ However, more than monetary factors were at work here. The Confederate government tried to counteract the inflationary effects of its deficit finance by imposing price controls, rationing food in urban areas, and denouncing speculators who sought to profit from rising prices. Although these efforts clearly failed to halt inflation, the data presented in Figure Eh-D suggest that they were not entirely in vain. The rate of inflation through the end of 1863 (11.3 percent) was appreciably less than the rate of increase in the money supply (14.2 percent) over the same period. However, after the middle of 1863, inflation substantially outstripped the rate of increase in money. Various writers have suggested that in wartime, changes in the price level may also reflect people's confidence in the success of the government as the fortunes of war rise or fall. The Confederacy suffered severe

⁷ Because Godfrey's estimates of the money supply are more complete than those constructed by Lerner, series Eh124 is plotted rather than the estimates Lerner constructed in 1955 (Table Eh125–127). For more on the differences in the two series, see the text for each table.

⁸ The Currency Reform Act of April 1864 stated that any currency outstanding could be exchanged on a three-for-two basis. This amounted to a 33 percent "tax" on those holding notes after April 1864. See Todd (1954), pp. 111–15; Davis and Pecquet (1990); and Burdekin and Langdana (1993).

military setbacks during the last half of 1863, beginning with defeats at Gettysburg and Vicksburg and culminating with the fall of Chattanooga in December of that year. Although the period of relatively stable prices in mid-1864 coincided with a major monetary reform, this was also a period when Union forces seemed stalemated in Virginia and were struggling to capture Atlanta. If prices were sensitive to war news, the stalling of Union offensives would have contributed to a decline in inflationary pressures. Moreover, the behavior of the money supply does not provide a good explanation of the rapid inflation after Sherman's capture of Atlanta and his subsequent "march to the sea." Indeed, the statistical relationship between prices and war news is so powerful that Richard Burdekin and Farrokh Langdana argue "changes in the price level may have depended largely upon the people's confidence in the currency. . . . [I]t may have depended more fundamentally upon perceptions of the government's ability to bring about victory on the battlefield."⁹

Another economic signal of the effects of the war on people's confidence is the gold price of Confederate "graybacks," as the paper currency was nicknamed, in the financial markets of the South. Wesley Mitchell pioneered this sort of analysis with his work on the U.S. "greenbacks" during the war. For the Confederacy, figures for the price of gold in Richmond have been collected by John Schwab and Richard Todd, both of whom argued that news from the battlefield had an effect on the value of graybacks. More recently, George Davis and Gary Pecquet, W. O. Brown and Richard Burdekin, and Marc Weidenmier have studied both gold prices of Confederate graybacks and bond yields on domestic and foreign issues of the Confederate government to see how battle news affected prices in financial markets (see Tables Eh216–228). All of the studies found that the value of graybacks and bonds fluctuated with the changes in military fortunes.¹⁰

An example of creative – and highly successful – finance on the part of the Confederate Treasury was the issue of bonds on the Amsterdam market in early 1863 that were backed by cotton rather than gold. Called "Erlanger Bonds" after the French firm that underwrote the issues, these bonds sustained their value despite the obvious failures of the Confederate military effort in 1864. The weekly price quotations for both the Erlanger and gold-backed sterling bonds on the Amsterdam market are given in Table Eh221–222 and plotted in Figure Eh-E. Quotations for both cotton bonds and those backed with gold fell sharply in response to

⁹ Burdekin and Langdana (1993), p. 374. The authors take care to point out that their results do not contradict a view that the fiscal deficit was an important element in generating inflation. Earlier writers on Confederate finance who argue that war events affected prices on the home front include Schwab (1899) and Todd (1954).

¹⁰ Schwab (1899); Mitchell (1903, 1908); Todd (1954); Davis and Pecquet (1990); Brown and Burdekin (2000); and Weidenmier (2000). In addition to these studies of Confederate money and bond prices, work by McCandless (1996) and Willard, Guinnane, and Rosen (1996) have examined the impact of war news on the prices of Greenbacks and Union bonds. Davis and Pecquet found that prices of domestic bonds did not fluctuate in terms of nominal dollars. However, they note, "When the market yields of Confederate securities and the value of paper money are calculated in a gold basis, the impact of military events becomes apparent" (1990, p. 133). Davis and Pecquet also report that state and local bonds held their value better than the bonds issued by the Confederate government in Richmond, suggesting that investors believed their more local governments might make good on the debt regardless of the outcome of the war. The data for all three classes of bonds is in Table Eh216–220.

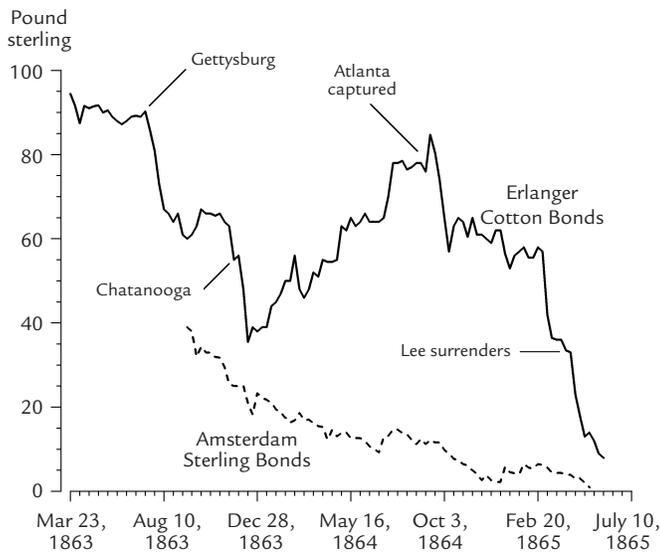


FIGURE Eh-E Weekly prices of Confederate cotton bonds and sterling bonds in Amsterdam: 1863–1865

Source

Table Eh221–222.

Confederate reverses in the last half of 1863; however, the Erlanger issue staged a remarkable recovery through the first three quarters of 1864. Although the military fortunes of the Confederacy continued to sink – a fact reflected in the continued decline of gold bonds – the price of cotton rose sharply. Thus, the Erlanger bonds, which had fallen to as low as \$35 (converted to gold dollars from pounds sterling) in December 1863, were trading at more than \$80 just before the fall of Atlanta in September 1864. Equally remarkable was the fact that they were still trading at a price of \$33 (or about one third their par value) the week that Richmond fell and Lee surrendered. As Marc Weidenmier (2000) observed, the option to buy cotton gave investors a hedge against the war risk.

Government Finances and the Cost of the War

The wartime finances of the Confederate government were chaotic at best, a situation that has confounded those scholars who try to estimate the costs associated with the Confederate war effort. The estimates of Richard Burdekin and Farrokh Langdana presented in Table Eh194–215 represent the most complete set of government accounts for the Confederacy currently available. Relying primarily on the reports of the Secretary of the Treasury, Burdekin and Langdana were able to reconstruct the “state of the Confederate Treasury” over the course of the war.

The problems of the Confederate Treasury are immediately apparent in the figures of Table Eh194–215. Efforts to raise money through taxes were feeble at best: only 6 percent of the \$2.3 billion in revenues came from a combination of export and import duties, together with a “war tax” on commodities. Efforts at borrowing money were somewhat more successful: bond issues, call certificates, and bank loans accounted for 35 percent of all revenues. All but a tiny fraction of the remaining revenues were obtained through

issuance of treasury notes (which circulated as money) or non-interest-bearing notes. The deficits reflected by these notes fueled the inflation discussed earlier. Burdekin and Langdana (1993) estimate that the Confederate government spent a total of \$2.01 billion between February 1861 and the beginning of October 1864. Just over \$600 million – or about 30 percent of all expenditures – was spent to service the costs of government debt. Less than \$50 million was spent on nonmilitary purchases of goods and services.

Do these figures from the budget represent the “cost” of the war to the South? Not exactly. An immediate problem posed by the figure just quoted is that it is reckoned in “nominal” Confederate dollars, uncorrected for the rapid inflation. Burdekin and Langdana offer a solution by estimating the costs for each year in “real” terms using Lerner’s price index as a means of adjusting for inflation. Total expenditures would by their reckoning then amount to \$282 million in 1860 U.S.-equivalent dollars, of which \$276 million was related to military expenditures. This is a more accurate measure of the Richmond government’s real level of expenditures, but it still falls far short of what an economist would regard as a measure of the total “cost” of the Civil War to the South. The most comprehensive attempt to measure the costs of the war is the analysis of Claudia Goldin and Frank Lewis (1975). They estimate that the Confederate government spent a total of \$1.01 billion in 1860 U.S. dollars to fight the war.¹¹ To this they add \$20.3 million for the costs of the draft and \$1.49 billion to account for the decrease in the value of physical capital due to the war. This produces a figure of just over \$2.5 billion (in 1860 prices) for what Goldin and Lewis term the *direct costs* of the war to the Confederacy.¹² This figure compares with their estimate of \$1.8 billion of expenditures by the state and federal governments in the North and a total of \$2.3 billion in direct costs to the Union.¹³

As Goldin and Lewis point out, these figures are still incomplete. To fully appreciate the “costs” of the war, one must include the *indirect* effects, which take into account the long-term effects from the war. The examination of the postwar census data in Tables Eh1–49 has already shown that the effects of the war in the Southern states were both large and long-lasting. Can one place a dollar value on these changes? Goldin and Lewis argue that the most appropriate measure would be the *forgone consumption* by each side as a result of the war (Goldin and Lewis 1975, pp. 304–5). By comparing the *actual* consumption paths of the North and South with those that would have existed without a war, Goldin and Lewis concluded

¹¹ The number cited in the text is considerably higher than the figure for direct expenditures reported in Table Eh194–215 for two reasons. First, Goldin and Lewis include state and local government expenditures in their estimate. Second, they insist that the value of expenditures reported by the authorities is biased downward owing to “the seizure of goods” by the Confederate Army, as well as “forced sales at lower than current prices” (1975, p. 307). Goldin and Lewis have adjusted the reported expenditures upward to correct for this bias. The details are presented in Goldin and Lewis (1975), pp. 306–9, especially Table 2.

¹² This figure does not include the human costs of the war, which the authors estimate to be \$767 million. These costs bring their estimate of the total direct costs of the war for the Confederacy to \$3.286 billion (Goldin and Lewis 1975, p. 308, Table 2).

¹³ Goldin and Lewis (1975), pp. 304–5, Table 1. It is interesting to note that, despite the much higher expenditures by the Union government, the total direct costs to the Union are less than those to the Confederacy because Goldin and Lewis estimate that there was no destruction of capital on the Union side.

that the *indirect costs* of the war would have added an additional \$9.5 billion to the bill for the South and an additional \$4.5 billion for the North. Several writers have criticized the assumptions of the Goldin–Lewis model and claimed that the estimates of indirect costs were far too high – especially with regard to the South.¹⁴ However, although the exact magnitudes are in some dispute, all of the participants in the debate agree that the order of magnitude of costs from the war was enormous, and all agree that the South bore a far higher share of the burden than the North. While the economic effects on the North had largely disappeared by the end of the century, the South was still struggling to recover from the changes brought about by emancipation and the war.

Cotton and the Northern Blockade

A cornerstone of the Confederacy's war plans was to use its dominance in the production of raw cotton to its advantage in the conflict. Cotton was important in two respects. First, because Southern cotton was an essential raw material for the textile industries of Great Britain and Europe, Confederate leaders believed that this would provide them with an economic weapon that could be used to induce the European powers to intervene in the American conflict on the side of the South. Second, the funds earned by selling cotton abroad could finance the purchase of military supplies to equip the Confederate army.

On the eve of the Civil War, the United States accounted for roughly 80 percent of all cotton imported into Europe (Tables Eh95–110). Southerners were confident that a curtailment of Southern supply would drive up the price of cotton on the world market and create economic distress in Europe. They were correct in this assessment; by late 1864, the price of cotton in Liverpool had risen by a factor of ten (series Eh101). Hoping to improve their terms of trade, the Confederates imposed an embargo on cotton in the spring of 1861. Prices did rise, but what the Confederates had not anticipated was the possibility that the Union might cut off delivery of cotton sold at the higher price through a naval blockade. By the time Southern leaders realized their error and once again began to ship cotton to Europe, the window of opportunity was closing. The “cotton famine” did create economic hardships in Europe, but it did not have the results hoped for by the South. By 1863, when the Union blockade became effective, both the British and the French governments had decided to ride out the economic crisis rather than intervene in the war. By that time, the Confederates could no longer gain from the sale of a commodity they could not deliver to European buyers.

Notwithstanding the statistics on the decline in cotton exports, the effectiveness of the Union blockade in reducing the Confederate war effort remains a matter of considerable debate. Thanks

¹⁴ In constructing their “counterfactual” world without a war, Goldin and Lewis projected the antebellum growth of the South into the future. Two objections to this procedure have been raised: (1) that the demand for cotton – which was a key element in antebellum growth – would not proceed unabated into the postwar era; and (2) that by comparing the actual path of Southern consumption with their counterfactual model, Goldin and Lewis were characterizing the effects of emancipation – which were substantial – as a “cost” of the war. For a discussion of these points, see Temin (1976, 1978), the reply to Temin by Goldin and Lewis (1978), and Ransom (1998).

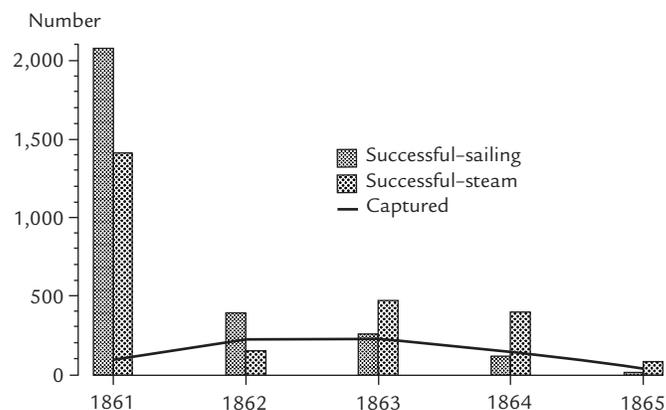


FIGURE Eh-F Confederate blockade running – ships captured and successful runs: 1861–1865

Sources

Series Eh63–65.

to the work of Marcus Price, there is a fairly detailed record of trips to and from Southern ports during the war, together with the number of ships captured by the Union Navy.¹⁵ These data are summarized in Figure Eh-F. Several conclusions can immediately be drawn from the data. First is the success of the Union blockade in reducing traffic to and from Southern ports by the end of 1861. The total number of “successful trips” fell from 3,485 in 1861 to 548 in 1862. On the other hand, the number of successful trips remained at about this level through 1864, suggesting that a steady flow of goods continued to get through the blockade. The data also clearly reveal how Southerners responded to the blockade. Early on it became apparent that steam-powered vessels were able to get through the blockade with far greater success than sailing ships. Indeed, by the end of 1863 virtually all of the goods coming from Bermuda or Cuba came on steamships, most of them built specifically for blockade running or refitted for that task. Finally, one can see that the Union Navy had managed to substantially raise the risks to blockade runners as early as 1862 through its ability to sink or capture Southern ships. By the end of the war, Union warships had captured 754 ships, and 172 others had been lost at sea.¹⁶

Most historians of the blockade have focused on the blockade runners themselves rather than the impact of the blockade on the Southern economy or war effort. The only serious quantitative study of the blockade is an article by Stanley Lebergott, who focuses on the extent to which the blockade shut down the exports of cotton from the South (Lebergott 1981). His research turned up two interesting facts. First was the continued commitment on the part of planters to grow cotton despite increasing evidence that it could not be sold outside the South. Lebergott estimates that the South grew 6.8 million bales of cotton during the war. Using data on captures and vessels that succeeded in running the

¹⁵ In addition to the articles by Price (1948, 1951–1952, 1955) that supply the data for the statistics in Table Eh59–94, the collection of documents in Vandiver (1947) provide useful information on the blockade.

¹⁶ Many of the ships listed as “lost” were in fact victims of the blockade that had been forced to run aground or sank attempting to escape capture.

blockade, Lebergott estimates that 446,000 bales were smuggled to Europe (Lebergott 1981, p. 880, Table 7). In addition to this cotton, Lebergott argues that about two thirds of the 1.8 million bales of cotton consumed in the North were smuggled in from the South (Lebergott 1981, p. 882). Of the rest, 400,000 bales were consumed in the South and 3.3 million bales were destroyed during the war (Lebergott 1981, p. 883, Table 10). This leads Lebergott to the interesting conclusion that “the single group who did well . . . consisted of those who held 3.8 million bales at the end of the war. Like the survivors of a tontine they had seen the value of their stocks driven up as those of their fellow planters had been destroyed” (Lebergott 1981, pp. 884–5). Lebergott’s estimates substantiate the view that only a few people in the South were able to capitalize on the earnings from its staple crop, and the earnings from cotton did little to support the Southern war effort.

Because of the emphasis on the need to import foreign supplies for the war, blockade historians have tended to overlook the impact of the blockade on the coastal trade of the South. Yet the greatest effect of the blockade may well have been to disrupt the internal commerce of the South. In 1860, the rail system of the South was still rudimentary and was geared to taking goods from the interior to the seaports. As observed in Figure Eh-F, the number of trips made to and from Southern ports fell by 85 percent between 1861 and 1862. A major part of that enormous decline was the virtual elimination of the coastal trade. The need for high-speed steamships to run the blockade put an emphasis on quick profits – profits gained in the lucrative trade with Bermuda and Havana, not the coastal trade. The result was a substantial decline in the South’s ability to move goods within its economy. Figure Eh-G compares indexes for several commodity groups. As one would expect, prices on imported commodities rose sooner and faster than other commodities. Yet the index for food and sundries was also significantly above the average throughout the war. Finally, it is interesting to note that the prices of agricultural commodities remained below the average

for all commodities. Thus, although urban housewives found reason to complain of the rising cost of living in cities, farm families suffered a relative decline in the prices they received. There were very real shortages of many commodities throughout the South as a result of the war and the blockade. Yet the South as a whole was not running out of food, and shortages such as those observed in the cities were created as much by failures of the transportation network as by the absence of production. The blockade stretched the South’s transportation system to the limit by preventing the use of coastal waterways to move goods.

Finally, the psychological effect of the shortages produced by the blockade was also significant. Southerners were forced to substantially alter their patterns of consumption – patterns that relied on imported goods and a network of transportation that was seriously encumbered by the blockade. Contemporary accounts are full of complaints about shortages in the cities, and in April 1863 there were “bread riots” in Richmond to protest the shortages. As Thomas Berry notes, the term “bread riot” is somewhat misleading because “bread as such was hardly involved at all. The loot covered such items as shoes, bacon, candles, hats, flour, coffee and calico, more or less in that order” (Berry 1985, p. 125). Beyond the frequent references to complaints, little has been done to study the actual effects of the Union blockade on Southern consumption patterns during the war. One of the few works that has carefully examined the effects of a wartime blockade is Avner Offer’s study of Germany in World War I. Commenting on the food situation, he notes that although there was usually enough food available to meet minimal needs, “consumers had to break the law in order to acquire a good part of what they ate” (Offer 1989, p. 2). The situation in the South with regard to food may not have been as serious as it was in Germany, but there are strong parallels in Offer’s analysis of effects of the British blockade of 1914–1919 and the effects of the Union blockade of the South in 1861–1865. Offer’s conclusion that the blockade was a central reason for Germany’s defeat in 1918 suggests that the Union’s blockade may have been a central factor in its defeat of the South in 1865.

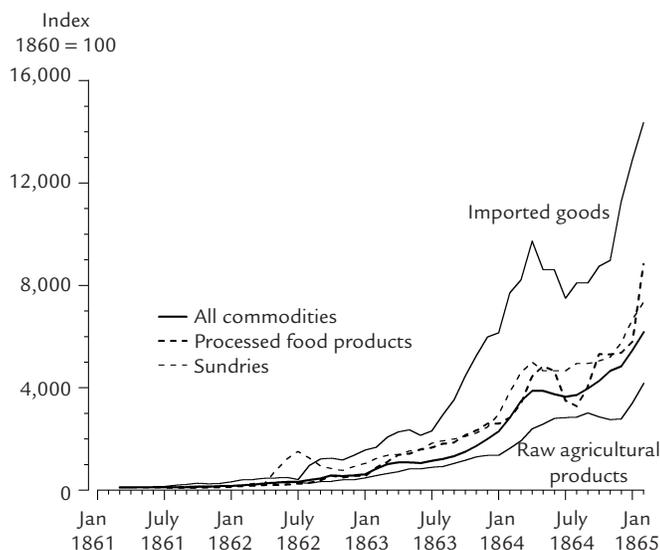


FIGURE Eh-G Price indexes for the Confederate states: 1861–1865

Source

Three-month moving averages of series Eh166–170.

Conclusion

This essay has touched on a few problems that could be addressed with the data in this chapter. The list is no more than a beginning. Nor are the historical statistics of the Confederacy presented in this chapter by any means complete; we have barely scratched the surface of what may someday be available. Many of the statistical series assembled for this volume were constructed by scholars over the past four decades. That work involved molding thousands of fragments of data into composite series. There are still many fragments of data lying around. And there are still many questions to be answered.

Appendix: Suggestions for Further Reading

Donald and Wynelle Dodd (1973) have compiled an excellent source of census data on the fifteen antebellum slave states (plus West Virginia after 1860) from 1790 through 1970. This source relies completely on the published censuses and includes data by state for population, manufacturing, and agriculture, along with the decennial population from 1900 to 1970 of cities with at least 50,000 inhabitants in 1950.

On the formation of the Confederacy and the confidence of Confederate leaders in the early period of the war, see Davis (1994) and Rable (1994). For an excellent and highly readable assessment of the Confederate war effort, see Gallagher (1997).

A considerable literature has grown up over the economic development of the Southern states before the Civil War. Douglass North (1961) provides an excellent analysis of the expansion of the cotton South and the key role that region played in the early growth of the United States. On the issue of slavery and the South, see Fogel and Engerman (1971), Chapter 4; Wright (1978, 1986); Fogel (1989); and Ransom (1989), Chapters 2 and 3. For Northern views on the South before the war, see Foner (1970), Chapter 3; Fogel and Engerman (1971), Chapter 5; Foner (1980); and Fogel (1989). There is a lengthy literature on the demise of the plantation, the rise of tenancy, and the changes that accompanied this transformation of Southern society. Roger Ransom and Richard Sutch (2000) provide an analysis of these changes and offer an extensive bibliography of the recent literature.

The best accounts of the efforts of the Confederate government to finance the war are Todd (1954) and Ball (1991). Both rely on the earlier work of John Schwab (1901). For a description of how the Confederate government secured the Erlanger bonds with pledges of cotton purchases during the war, see Gentry (1970) and Weidenmier (2000).

There are numerous accounts of blockade running. Among the best are Vandiver (1947) and Cochrane (1958). Two sources that deal more fully with the effects of the blockade are Owsley (1959) and Wise (1988). Stanley Lebergott (1981) offers the best quantitative assessment of the blockade.

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