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CIVIL WAR SESQUICENTENNIAL : Did Economics Dictate the Outcome of the Civil War?

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Feature Essay

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Hahn, Barbara *CIVIL WAR SESQUICENTENNIAL : Did Economics Dictate the Outcome of the Civil War?.*

State of the Field: Using Economics to Explain the Civil War's Outcome

"The North can make a steam engine, locomotive, or railway car; hardly a yard of cloth or pair of shoes can you make… You are bound to fail. Only in your spirit and determination are you prepared for war. In all else you are totally unprepared, with a bad cause to start with. At first you will make headway, but as your limited resources begin to fail, shut out from the markets of Europe as you will be, your cause will begin to wane. If your people will but stop and think, they must see in the end that you will surely fail."[1]

As William T. Sherman reputedly declared in December 1860, economics would eventually dictate the outcome of the impending war. The North had the men, the materiel, the industry, and the transportation and distribution systems to fight; the South had exports and ideals. By some accountings, as in Sherman's, the result was practically foreordained.

Nothing is inevitable, however. Had the Confederacy (the CSA) found an ally in Great Britain—and maintained the market for its exports—the result might have been very different. Capital from cotton could have provided many of the nation's needs, but the Confederacy at first embargoed its staple, hoping to make Britain choose sides. By 1863, English textile manufacturers had found new sources of cotton supplies in Egypt, India, and Brazil. Moreover, the northern blockade of southern ports threatened the Confederacy's intercourse with the outside world. Though the impact and effectiveness of the blockade remains a hotly debated topic, careful recent analysis concludes that it played a significant role in Confederate defeat, damaging especially internal commerce and the coastwise trade. Moving men and goods within the Confederacy, maintaining a navy, exporting cotton, and importing pig iron, arms, and consumer goods all struggled. As the Anaconda Plan tightened around the

Confederacy, it also shrank as a result of military engagements and Union occupation.[2]

In fact, however, for a year or more after Lincoln's election, neither side was really up to the task of extended war. Initial optimism rapidly gave way to the reality of a long conflict. The two nations had different goals—southern leaders sought independence while their counterparts in the north aimed to quell secession and preserve the union. Nonetheless, the two sides had remarkably similar political institutions within which their economies operated. Secessionists viewed their nation as the true heir of the founding fathers, and thus wrote a Constitution modeled on that of the United States. It forbade tariffs to protect industry but allowed them as revenue measures—and the CSA rapidly levied a tariff in spring of 1861. Both nations printed money and borrowed vast sums. In both nations, the War Department was largely responsible for the conflict, while a Quartermaster system handled logistics, supply and distribution. The Confederate Quartermasters operated factories and workshops, employed 50,000 workers, and dictated price and policy terms even to private textile mills. In other words, the South made larger attempts at government control of the economy than did the North. The results, however, were poorer.[3]

Because neither the USA nor the CSA possessed a fully operational federal bureaucracy in 1860-1861, the first years of mobilization depended heavily on the states. In the North, Lincoln's calls in April and May of 1861 to expand the army from 16,000 to 156,000 resulted in a rush of enthusiastic volunteers, but the individual states provided these troops (and the state militias) with uniforms, equipment, arms, and garrisons. Massachusetts and New York—the most abolitionist and the most well financed states, respectively—provided the most troops, money, aid and expertise to the Union. Out west, things were much worse. Less developed economies and conflicted loyalties may have slowed support for the conflict in the Old Northwest. In Mark Geiger's Missouri, country banks in plantation districts provided money to Confederate mobilization; when the state stayed in the Union, its planters lost their land and became guerrilla warriors. In the South, the states provided the men, arms, and equipment for the conflict through 1861, but fell back at different rates thereafter. Despite early enthusiasm in the lower South, by 1863 the relations between the states and the CSA had deteriorated and internal divisions prevented adequate support for the war effort.[4]

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The two nations had comparable difficulties arming their soldiers in the first few years of the war. Under Simon Cameron, Lincoln's Secretary of War until replaced by Edwin M. Stanton in January 1862, the Union failed to arm and equip its soldiers adequately for battle and extended mobilization. The rifles and muskets in the Union numbered 440,000 at the start of hostilities, compared to 150,000 in the Confederacy, but the rush by southern states to secure weapons at first resulted in thievery, rapidly rising prices, and the seizure of inferior or antiquated firearms. On both sides, the Navy Department did much better, though the Union use of armored vessels, submarines, mines, and torpedoes, in naval conflicts lagged that of the Confederacy. Early in 1862, however, combined operations of Union army and navy forces resulted in significant military victories, especially Fort Henry and Fort Donelson in Tennessee, which cut river connections within the CSA and access to its northern reaches of the Mississippi.[5]

Both nations needed their railroads, a milestone of this conflict's modernity. Railroad executives assisted the Union's War Department from April 1861 on, but the rates they set that summer led to charges of corruption and the reorganization of the Department early in 1862. The government seized the railroads in May 1862 but actually ran only a few lines. Herman Haupt and the U.S. Military Railroad kept the railroads operational in the East, though the Western Theater struggled until fall 1863. In the Confederacy (which contained 9,500 miles of railroads to the Union's 21,000 miles), the "fatal hesitation" of the government prevented optimal use and control of the rail system, despite a few notable efforts and dramatic military successes. The Confederate railroads and the navy both suffered from the lack of iron for maintenance and expansion. Richmond worked with individual railroads, which led to wide variations in coordination and control, while domestic iron producers (Tredegar, for example) made more munitions than rails. Efforts to buy railroad equipment in Europe received little aid from the War Department, so the roads cannibalized existing systems to keep CSA trains running, albeit barely, until surrender.[6]

For some scholars, the CSA's bid for independence stumbled due to financial failure—problems with the treasury, its monetary policy and taxes. It made no attempt to sell bonds abroad until summer 1862, and then retreated from that effort again in the fall. Its poor fiscal policies led to runaway inflation, even as goods became scarce for soldiers and civilians alike, chipping away at morale. "The Union taxed more and borrowed less," supported its greenbacks and suppressed competing currencies. Yet, for most historians, factor endowments mattered more than fiscal policy, and infrastructure and organization even more than that. By September 1862, and the bloody battle of Antietam, the economic distinctions between the warring nations had finally reached the sorry point assumed in Sherman's analysis two years earlier.[7]

Nonetheless, the Confederacy maintained the second largest army in the world for four years of extended warfare over half a million square miles—an achievement that undermines Sherman's 1860 assumptions. By the end of 1861, few people any longer thought the war's outcome inevitable. While Union victory and Confederate defeat certainly had economic components, the first few years of the war did not immediately reveal the asymmetry between the sections that Sherman and others assumed at the start of the conflict.[8]

Notes:

(1) William Tecumseh Sherman, Comments to Prof. David F. Boyd at the Louisiana State Seminary, Dec. 24, 1860, quoted in Shelby Foote, *The Civil War: A Narrative* (New York: Vintage Books, 1986) 1:58.

(2) Sven Beckert, "Emancipation and Empire: Reconstructing the Worldwide Web of Cotton Production in the Age of the American Civil War," *American Historical Review* 109 (Dec. 2004): 1405-38; Amanda Foreman, *A World on Fire: Britain's Crucial Role in the American Civil War* (New York: Random House, 2010); David G. Surdam, *Northern Naval Superiority and the Economics of the American Civil War* (Columbia: University of South Carolina Press, 2001).

(3) Richard Franklin Bensel, *Yankee Leviathan: The Origins of Central State Authority in America, 1859-1877* (Cambridge University Press, 1991); John Majewski, *Modernizing a Slave Economy: The Economic Vision of the Confederate Nation* (University of North Carolina Press, 2009), 131-33, 149; Harold Wilson, *Confederate Industry: Manufacturers and Quartermasters in the Civil War* (University Press of Mississippi, 2002), 3, 64, 101.

(4) Mark W. Geiger, *Financial Fraud and Guerrilla Violence in Missouri's Civil War, 1861-1865* (Yale University Press, 2010); Paul A.C. Koistinen, *Beating Plowshares into Swords: The Political Economy of American Warfare,*

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1606-1865 (University Press of Kansas), 107-14, 205-09.

(5) Koistinen, *Beating Plowshares into Swords*, 160, 174, 207-08, 260; Rowena Reed, *Combined Operations in the Civil War* (U.S. Naval Institute, 1978).

(6) Robert C. Black III, *The Railroads of the Confederacy* (University of North Carolina Press), 63; quoted in Koistinen, 229n8; “Appendix: Total Miles in 1860 by Region," on Railroads and the Making of Modern America, http://railroads.unl.edu/views/item/appendix?p=3, accessed July 18, 2012; produced for William G. Thomas, *The Iron Way: Railroads, the Civil War, and the Making of Modern America* (Yale University Press, 2011).

(7) Douglas B. Ball, *Financial Failure and Confederate Defeat* (University of Illinois Press, 1991), 75, 255.

(8) For contradictory assessments of internal support for the CSA, see Gary W. Gallagher, *The Confederate War: How Popular Will, Nationalism, and Military Strategy Could Not Stave Off Defeat* (Harvard University Press, 1999); William W. Freehling, *The South versus the South: How Anti-Confederate Southerners Shaped the Course of the Civil War* (Oxford University Press, 2001).