

## **ABSTRACT**

WEISEL, MICHAEL LLOYD. *Dixie Gentlemanly Capitalism: Studies in British Finance of the Confederacy.* (Under the direction of David Gilmartin.)

The purpose of this work is to explore the culture of the South's ties into international finance by examining the South's financial relationships with British merchant banking and agricultural factoring houses, using the theory of "gentlemanly capitalism" put forward by Professors Cain and Hopkins.

By utilizing diplomatic correspondence, political speeches, and newspaper editorials along with the extant business records of London and Liverpool merchant banking houses Fraser, Trenholm & Company and Alexander Collie & Company, I show that "gentlemanly capitalism" provides a theoretical framework allowing comparative analysis for business and economic development in the Atlantic world between the United States and Great Britain.

My thesis also explores both the financial transactions and the underlying relationships between the South and Great Britain. This analysis is accomplished by utilizing primary source correspondence, diplomatic messages, political speeches, memoirs, and newspaper accounts to try and gain a perspective of both Great Britain and the Confederacy's sense of place in the world structure at the commencement of hostilities. Although these perceptions changed as the vagaries of war presented some harsh realities, there is a sense of presumed order between the South and Great Britain. Correspondence between British and Southern politicians and businessmen illustrates the South's notion of producing agricultural exports (cotton) for Great Britain, with the explicit presumption that the proceeds will be used by the South to purchase finished

manufactured goods from Britain. This is the classic definition of British mercantile imperialism with the mother country providing the finished goods, while the colony or economic trading partner provides the raw materials. The importance of this work lies in the conclusion that suggests a vision of the Confederacy and South apart from what the United States might have been or in fact became. Southern leadership was anxious to embrace Britain's post war view of the Confederacy's place in the world order. During the war, British gentlemanly capitalists supported and conducted business with the Confederacy because of their cultural affinity, long term free market view and vision for a post war United States with the South firmly ensconced within the British imperial sphere.

**DIXIE GENTLEMANLY CAPITALISM:  
STUDIES IN BRITISH FINANCE OF THE CONFEDERACY**

by  
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## **BIOGRAPHY**

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Mr. Weisel holds accounting, business and history degrees from Guilford College and his law degree from Campbell University, School of Law. He enrolled in the Doctoral program in History at Duke University with a fellowship in the fall of 2002. Married to Deborah Lamm Weisel, formerly of Wilson, North Carolina, Michael Weisel has two daughters, Avery and Schuyler. They are members of New Garden Friends Meeting and reside in Raleigh, North Carolina with their two shar-pei watchdogs.

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**CHAPTER ONE**

**INTRODUCTION AND  
HISTORIOGRAPHIC REVIEW**

The Civil War was a fateful event in American history. The war forever changed the United States and the attitudes of its citizens toward the nation. Over 620,000 Americans died, with another 500,000 suffering wounds during the conflict. With casualties exceeding 1 million out of a total population of 32 million, the Civil War claimed more lives than all American wars combined from the Revolution to the Gulf War. The economic impact was equally as devastating. Estimates of the war's cost are approximately \$20 billion. The South, in particular, suffered extreme economic and physical destruction ranging from farms and homes to factories and railroads. The wealth in the Confederate States fell from over \$4 billion in 1860 to \$1.6 billion after the war, according to one estimate.<sup>1</sup>

Almost immediately upon cessation of hostilities, studies and analysis of the war commenced. Some works were scholarly, while others were mere attempts to justify a cause. The initial historical focus was on military history, which still maintains a large share of scholarship today. Since World War II, civilians, women and slaves have taken prominent roles in new historical studies. Social and political histories examine the war from new and unique perspectives.<sup>2</sup>

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<sup>1</sup> James M. McPherson and William J. Cooper, Jr., ed., *Writing the Civil War: The Quest to Understand* (Columbia: University of South Carolina Press, 1998) 1 – 2.

<sup>2</sup> McPherson and Cooper, 3.

“Estimates of the number of writings devoted to the Civil War range from 50,000 to 70,000 books and pamphlets.”<sup>3</sup>

Charles W. Ramsdell first noted the lack of scholarly focus on economic matters in 1935. Ramsdell challenged Civil War historians to gain a “...knowledge of Southern banks and banking, their functional relation to both Southern and Northern credit policies, ...to better understand the wartime financial and fiscal policies of the Confederate government and of the states.”<sup>4</sup> Thirty-four years later, Frank E. Vandiver stated that Confederate finances were of vital importance as evidenced by the national financial legislation that occurred and historians must consider it equally important as other areas in their Civil War studies. Finance, “...permeates all the Confederate experience; limitations of money limited everything about the Rebel war effort. Modern students of the Confederacy cannot avoid this topic.”<sup>5</sup>

Even with these charges, economic historians have generally ignored the war years in the South. One school of study concentrates on comparing and contrasting the antebellum and postbellum economies.<sup>6</sup> Historian James L. Roark postulates that because the Confederate economic system was destroyed and rebuilt with free labor

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<sup>3</sup> John David Smith, “Review of Steven E. Woodworth, ed., *The American Civil War: A Handbook of Literature and Research*,” H-CivWar, H-Net Reviews, May, 1997. URL: <http://h-net.msu.edu/reviews/showrev.cgi?path=17965870113455>.

<sup>4</sup> Charles W. Ramsdell, “Some Problems Involved in Writing the History of the Confederacy.” *Journal of Southern History* 2 (May 1936): 135.

<sup>5</sup> Frank E. Vandiver, “Some Problems Involved in Writing the History of the Confederacy.” *Journal of Southern History* 36 (August 1970): 401, 405.

<sup>6</sup> McPherson and Cooper, 203. For a survey of this school, see Dan T. Carter, “From the Old South to the New: Another Look at the Theme of Change and Continuity,” in *From the Old South to the New: Essays in the Transitional South*, ed. Walter J. Fraser, Jr., and Winfred B. Moore, Jr. (Westport, Conn.: Greenwood Press, 1981), 23 – 32.

instead of slaves, economic historians have resisted concentrating on the war years because it is only half of the story.<sup>7</sup>

Whatever the cause of neglect, the fact remains there are but a handful of economic historians who have completed studies about the Southern economy during the Civil War. John C. Schwab's seminal work, *The Confederate States of America 1861-65: A Financial and Industrial History of the South during the Civil War*, appeared in 1901 and still remains the definitive foundation for subsequent scholarship on the Confederate economy. Douglas B. Ball, Bray Hammond, James F. Morgan, and Robert Cecil Todd have built upon Schwab's foundation.<sup>8</sup> These historians' work spans decades, yet they remain unchallenged and pertinent today. More recent historical study has appeared in the scholarly journals as represented by Judith Fenner Gentry and Stanley Lebergott.<sup>9</sup> In reviewing North Carolina historiography, scholarly work remains rare. Richard L. Zuber devoted a chapter to North Carolina Confederate finance in his biography of Jonathan Worth, who served as Treasurer of North Carolina during the Civil War. Robert Cecil Todd published an article examining produce loans but this was not specific to North Carolina and was later incorporated into his book on Confederate finance.<sup>10</sup>

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<sup>7</sup> McPherson and Cooper, 204.

<sup>8</sup> John Christopher Schwab, *The Confederate States of America 1861-65: A Financial and Industrial History of the South during the Civil War*. (New York: Charles Scribner's Sons, 1901). Ball, Douglas B. *Financial Failure and Confederate Defeat*. Chicago: University of Illinois Press, 1991. Bray Hammond, *Sovereignty and an Empty Purse: Banks and Politics in the Civil War*. (Princeton: Princeton University Press, 1970). James F. Morgan, *Greybacks and Gold: Confederate Monetary Policy*. (Pensacola: Perdido Bay Press, 1985). Richard Cecil Todd, *Confederate Finance*. (Athens: University of Georgia Press, 1954).

<sup>9</sup> Judith Fenner Gentry, "A Confederate Success in Europe, the Erlanger Loan." *The Journal of Southern History* 36 (May 1970): 157 – 188 and "White Gold: The Confederate Government and Cotton in Louisiana." *Louisiana History* 33 (1992) 3: 229 – 240. Stanley Lebergott, "Through the Blockade: The Profitability and Extent of Cotton Smuggling, 1861-1865." *Journal of Economic History* 41 (December 1981): 867 – 888.

<sup>10</sup> Richard L. Zuber, *Jonathan Worth: A Biography of a Southern Unionist*. (Chapel Hill: The University of North Carolina Press, 1965). Richard Cecil Todd, "The Produce Loans: A Means of Financing the Confederacy." *North Carolina Historical Review* 27 (January 1950): 46 – 75.

However, even with this prodigious output of scholarly study, the important area of economic history and its interrelationship to the role of Great Britain during the Civil War has been woefully neglected. Although recently scholarship has increased, there still remains a significant dearth of study concerning the economy and finances of the Confederacy during the war.<sup>11</sup> Financial operations abroad, the selling of cotton, raising loans, and the purchase of war material has been the subject of several studies.<sup>12</sup> Significantly however, none of these have explored the interrelationships between the Confederacy and Great Britain within the analytical framework of recent scholarship of transatlantic studies. Either these studies were completed in the 1930's or they rely on a factual recitation of Confederate activities abroad without an attempt to place the activities in a larger "global" context.

The purpose of this work is an attempt to place these overseas financing activities within a global context, or more simply stated – where was the Confederacy's place in the world order, both at the outset of the Civil War and in the view of those Southerners who sought Southern independence? In attempting to develop this context, this work concentrates on the financing of the Confederacy by British merchant banking and agricultural factoring houses during the War. It takes as a starting point Professors P. J. Cain and A. G. Hopkins theory of "gentlemanly capitalism." Gentlemanly capitalism provides a theoretical framework allowing an analysis of the South's place in the

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<sup>11</sup> McPherson and Cooper, 203.

<sup>12</sup> There is substantive scholarship in the area of Confederate financial operations overseas. See Thomas Boaz, *Guns for Cotton: England Arms the Confederacy*. (Shippensburg, PA: Burd Street Press, 1996). Judith Fenner Gentry, "A Confederate Success in Europe, the Erlanger Loan." *The Journal of Southern History* 36 (May 1970): 157 - 188. Richard I. Lester, *Confederate Finance and Purchasing in Great Britain*. (Charlottesville: University of Virginia Press, 1975). Frank L. Owsley, *King Cotton Diplomacy: Foreign Relations of the Confederate States of America*. (Chicago: University of Chicago Press, 1931). Samuel B. Thompson, *Confederate Purchasing Operations Abroad*. (Chapel Hill: University of North Carolina Press, 1935).

business and economic development of the Atlantic world and of its relationship to the larger world order defined by British Imperialism.<sup>13</sup>

Simplistically stated, the theory of gentlemanly capitalism contends that British economic expansion and imperialism in the century before 1860 was driven mainly by the interests of two groups of English elites, the older landed aristocracy and the rising financial and service sector based in London. The culture of this alliance was defined largely by the former. “The perfect [English] gentleman adhered to a code of honour which placed duty before self-advancement.” At the heart of this was a vision of land as “an inalienable asset to be passed on intact, as far as possible, through generations...” which in turn shaped attitude to business. Assumed was the “...primacy of relations, even economic ones, based upon personal loyalties and family connections; the ‘studied opposition to the matter-of-fact attitude and business routine’; the contempt for the everyday world of wealth creation and of the profit motive as the chief goal of activity; and the stress laid on the link between heredity and leadership.”<sup>14</sup> This work contends that these deeply held concepts meshed with the South’s notions of their own ruling elite, thereby creating a bond between the Confederacy and Britain’s gentleman capitalists.

There is considerable support for the proposition that Cain and Hopkins definition of gentlemen is too narrow. Although they define the term as London “City” based – there is considerable overlap between the individuals who wielded the northern/Midland industrial wealth and power and those of the landed gentry who controlled the City based financial houses. Recent scholarship seems to indicate that the definitional framework

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<sup>13</sup> P. J. Cain and A. G. Hopkins, *British Imperialism: Innovation and Expansion 1688 – 1914 and Crisis and Deconstruction, 1914 – 1990*. 2 vols. (London and New York: Longman, 1993).

<sup>14</sup> Cain and Hopkins, *British* 22, 24.

should be expanded to include individuals and industries outside of London.<sup>15</sup> “It is a little known fact that substantial members of powerful rural aristocratic and gentry families, whom Cain and Hopkins connect mainly with London financial interests, also had substantial holdings in British industry.”<sup>16</sup> Such an interpretation of gentlemanly capitalism fits much better with British relations with the Confederate South. The firms used in the two case studies for this work encompass links to both the “city” and the industrial English North; Alexander Collie & Company based in London and Fraser Trenholm & Company based in Liverpool.

The foundation for the study of Confederate wartime finance begins with John C. Schwab’s initial work in 1892, *The Finances of the Confederate States*. Schwab concentrated on the South’s finance of the war by “the growth of public debt, the issue of treasury notes with the legal tender quality in payment of public and private debts, and the creation of a national bank system.”<sup>17</sup> Confederate revenue from the beginning of the war was financed almost entirely by loans. As the war progressed, a small part of revenue was raised by direct taxation. Recent scholarship has reaffirmed Schwab’s observations, estimating that the Confederate government raised only 7 percent of its total revenue from direct taxation, another 25 percent coming from the proceeds of state bond sales, and 50 percent coming from the sale of treasury notes.<sup>18</sup> Schwab also

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<sup>15</sup> Andrew Porter, “‘Gentlemanly Capitalism’ and Empire: The British Experience since 1750?” *Journal of Imperial and Commonwealth History* 18 (1990): 265 – 95.

<sup>16</sup> Raymond E. Dumett, ed., *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire*. (New York: Longman, 1999) 8.

<sup>17</sup> John Christopher Schwab, “The Finances of the Confederacy,” *Political Science Quarterly* 7 (March 1892): 38.

<sup>18</sup> Peter Wallenstein, *From Slave South to New South: Public Policy in Nineteenth-Century Georgia*. (Chapel Hill: The University of North Carolina, 1987).

concluded that credit of the Confederacy was never sufficient to create a national banking system.<sup>19</sup>

This work was followed by *Prices in the Confederacy, 1861 – 65*, in which Schwab examined commodity supply and demand and the correlation to pricing. He concluded that tobacco and cotton, whose supply was controlled by the South, fell in price during the war. Coffee, sugar, and molasses imported from abroad rose significantly in price. The relative price and supply of these commodities, illustrated by charts, depended greatly upon the military success that the South enjoyed.<sup>20</sup>

The culmination of Schwab's work in this area was his seminal monograph, *The Confederate States of America 1861-65: A Financial and Industrial History of the South during the Civil War*. Based almost exclusively upon primary sources, Schwab provides a comprehensive review of the financial legislation from 1861 through 1865, Confederate banking structure and currency issues, commodity price studies, speculation, taxation, and an overview of Southern industry. He concludes that the Union naval blockade of the Confederacy led to economic isolation, which in turn contributed to inflated currency. These factors led to speculation helping fuel the social and political disintegration of the South during the war. Shut out of the global marketplace for credit and commodity trade, the South was forced to rely on internal industrialization. This according to Schwab was "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."<sup>21</sup>

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<sup>19</sup> Schwab, *Finances*, 56.

<sup>20</sup> John Christopher Schwab, "Prices in the Confederate States, 1861-65," *Political Science Quarterly* 14 (June 1899): 301.

<sup>21</sup> Schwab, *Confederate States*, 311.

Another of Schwab's key thesis was the South's wholesale destruction of capital. The initial specie (gold or silver coinage) of the South was quick to go. Then the trust funds and investments of educational institutions were turned into government securities. These funds represented the savings of entire communities. He was particularly scathing about the Confederate governments' ineffective transfer of capital. "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."<sup>22</sup>

For over 50 years, Schwab remained the only significant work on Confederate economic history until Robert Cecil Todd's work, *Confederate Finance*. Organized much like Schwab's monograph, Todd examined the Confederate Treasury Department, loan and Treasury note transactions, tariff and taxes, impressments (the taking of a citizen's personal property by the government), and financial operations abroad. Todd makes significant use of primary materials, many of them becoming available after Schwab completed his work. Every facet of financing the Confederate war effort is examined in exacting detail, often accompanied by charts, graphs and tables. Todd summarizes dates and amounts of Confederate loans and treasury notes, along with the revenue receipts from tariffs, taxes and impressments. These details are perhaps the most enduring legacy of Todd's work as many other scholars have utilized his data in later examinations of Confederate finance. From this evidence it becomes clear that the Confederate effort at financing the war effort, first exhausted the loan market, both domestic and foreign, then relied on the issuance of government notes until the sheer

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<sup>22</sup> Schwab, *Confederate States*, 312.

volume of the indebtedness rendered them worthless. Finally, the Confederacy was forced to tax-in-kind and impress the necessary military supplies from its citizens. If Todd's study has a weakness, it lies in the lack of analytical content. While his statistical and empirical data is overwhelming, Todd makes no attempt to draw conclusions or analyze the meaning of actions taken. As Charles Gilbert expressed it, "The importance of any study of financial policy...lies in the analysis of its effects rather than in a description of its methodology."<sup>23</sup> In this, Todd follows the example laid out by Schwab; provide the facts but draw no conclusions.<sup>24</sup>

The major thesis Todd does present lies in attempting to assess blame for the ultimate financial failure of the Confederacy. Todd does not feel that Secretary Memminger is to blame, but rather a cowardly Congress and an inadequate military. The Confederate Congress refused to tax its citizens until March 11, 1865. By then it was much too late.<sup>25</sup> Until 1863, the Confederate military enjoyed relative success and even though there was no direct taxation, Confederate finance was not in too bad a condition. When the military suffered *significant* defeats in the summer of 1863, the holders of Confederate bonds and treasury notes became extremely nervous. Thereafter, as Todd's charts graphically point out, the value and ability of the Confederate Treasury to finance

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<sup>23</sup> Charles Gilbert, rev. of *Confederate Finance*, Richard Cecil Todd, *Journal of Economic History* 15 (June 1955) 2: 180 – 181.

<sup>24</sup> Richard Cecil Todd, *Confederate Finance*. (Athens: University of Georgia Press, 1954).

<sup>25</sup> But for a contrasting view see, Stanley Lebergott, "Why the South Lost: Commercial Purposes in the Confederacy, 1861-1865." *The Journal of American History* 70 (June 1983): 58 – 74. Lebergott argues that the Confederate citizens have themselves to blame because they voted for secession, yet refused to pay taxes to help finance the war. He places particular emphasis on the selfishness of the large plantation slave owners and their unwillingness to pay their fair share of the war effort.

the war effort rested solely on the military outcome, with credit “rising and falling with the tide of battle.”<sup>26</sup>

Although highly controversial for its opinionated analysis, Douglas B. Ball’s *Financial Failure and Confederate Defeat* published in 1991, represents the most important full-scale study of Confederate finance.<sup>27</sup> Noted historian Frank E. Vandiver feels that *Financial Failure* ranks among the important studies of the Confederacy because Ball brings many disparate threads together for his assessment of Confederate finance, coupled with wide-ranging and innovative research.<sup>28</sup> The central thesis of Ball’s study is that the flawed policies and inept administration of the Confederate Treasury, notably by Secretary Memminger’s inability to manage the finances and economy, primarily to blame for the Confederacy’s defeat.<sup>29</sup>

Ball begins his study with a lesson in economics, circa 1860, to provide a background on what economic theory and wisdom would have been available to President Jefferson Davis and Secretary of the Treasury Christopher Gustavus Memminger. Taking that knowledge, Ball demonstrates that both Davis and Memminger were economically naïve and inept in practical business matters. Ball is unrelenting in his criticism of Memminger, whom he deftly skewers as a “woeful incompetent.” The Confederate Congress does not escape Ball’s criticism, which he also charges with responsibility for the South’s failure to enact a viable economic policy, including the levy of taxes.<sup>30</sup>

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<sup>26</sup> Todd, 155.

<sup>27</sup> McPherson and Cooper, 212.

<sup>28</sup> Ball, x.

<sup>29</sup> Ball, 1.

<sup>30</sup> Ball, 20 – 52.

The remainder of his book is organized very similarly to Schwab and Todd's works, focusing on the Confederate economy, cotton/foreign exchange, debt management policies, currency management and fiscal policy. However, Ball has done a very thorough job of analyzing this seeming familiar ground and arrived at some fascinating conclusions. For instance, Ball examines the private correspondence and political debates among Southern politicians to demonstrate the utter lack of "leadership and executive skill to meet the economic, monetary, and fiscal needs of a revolution and to establish the machinery of a new treasury..."<sup>31</sup> However, Ball also presents evidence refuting earlier wisdom that the Confederate financing activities abroad were less than satisfactory. He shows that total foreign receipts from loan and business activities overseas amounted to over double the amount that Samuel B. Thompson cites in his book *Confederate Purchasing Operations Abroad* and vastly more productive than Schwab had asserted.<sup>32</sup> Ball's study contains many such reevaluations of conventional wisdom, adding to the strength of his monograph.<sup>33</sup>

But Ball's study is weak in failing to integrate his work on the Confederacy with studies of developments in government finance more generally in this period. Recent works of Bray Hammond, James F. Morgan and Larry Schweikart all analyze banking,

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<sup>31</sup> Ball, 8.

<sup>32</sup> Ball, 16.

<sup>33</sup> Ball does not incorporate other recent scholarship concerning Confederate finance. The work of George K. Davis, Gary M. Pecquet, Richard C. K. Burdekin, and Frank K. Langdana, demonstrate that by utilizing the value of paper money calculated on a gold basis along with the market yields of Confederate securities, the impact of military events becomes apparent in the management of fiscal matters. In addition, George T. McCandless, Jr. stated that "[d]uring the war the single most important indicator of future government expenditures is the process of the war itself. Because of this, it is the war news and its effects on people's expectations that move currency prices and move them much more violently than actual expenditures or actual money issues do." [George T. McCandless, Jr., "Money, Expectations, and the U. S. Civil War." *The American Economic Review* 86 (June 1996) 3: 668] Many of these studies, while economically esoteric are important in order to understand the potential political motivations and reality of economic consequences regarding Confederate fiscal management.

currency, and fiscal policy, matters of vital importance to the Confederacy. Hammond notes in *Sovereignty and an Empty Purse: Banks and Politics in the Civil War* that the “Confederacy’s part in the war was financed in reality by a gradual, indirect confiscation of the property of the Southern people and of the foreign investors who bought its bonds...” In regards to Confederate currency issues, “[a]s the paper passed from one person to another, losing a little of its value in each transaction, and by so much imposing a little of the total loss on each person through whose hands it passed, it worked pretty much as a tax might – less scientifically, perhaps, but effectually nevertheless.”<sup>34</sup> This occurred as a result of scrip being issued for confiscated wartime supplies from citizens, war bonds being purchased and finally by creeping inflation. Ironically, Hammond also illustrates the effect that the Civil War had on centralizing fiscal policy and power in a national government at the expense of the states in both the North and the South.

James Morgan in *Greybacks and Gold: Confederate Monetary Policy* examines Confederate monetary policy through extensive use of primary sources, notably legislation related to note issues and coinage issued by the Confederacy as money from 1861 to 1865. Observing the rampant inflation that resulted from the Confederacy’s printing of paper money, he nonetheless concludes that it “was not paper money itself that contributed to the Confederacy’s fall, but the abuses of it, caused by the length of the war and the accompanying enormity of public expenses.” He does believe that the “lesson to be learned from Confederate monetary policy is that *fiat* [paper not backed by hard assets] currency can work, that gold and silver can be withdrawn from circulation and denied to the citizens, but both policies cannot go on indefinitely.” Ultimately,

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<sup>34</sup> Bray Hammond, *Sovereignty and an Empty Purse: Banks and Politics in the Civil War*. (Princeton: Princeton University Press, 1970), 259.

Morgan states that the “Confederacy’s effort to establish a satisfactory monetary system is a story of mistaken judgment, poor management, declining morale, confusion, and failure.”<sup>35</sup> In this conclusion, Morgan and Ball are in accord.

Larry Schweikart’s *Banking in the American South from the Age of Jackson to Reconstruction* provides important background information regarding the banking system in the states that became the Confederacy. Unlike other studies on this subject area, Schweikart examines the role of private bankers and the plantation owners’ control of financial institutions in their community. His observations are helpful in explaining why Southern bankers believed that the money supply should be a nonfluctuating store of value, and who resisted and resented government involvement in financial affairs. This recalcitrance would have an impact on the Confederacy’s ability to control monetary and fiscal policy.<sup>36</sup>

I believe this historiography amply demonstrates that the thesis “economic shortcomings did not play a major role in Confederate defeat” is a canard.<sup>37</sup> The charges of Ramsdell and Vandiver for historians to “understand the wartime financial and fiscal policies of the Confederate government and of the states” have arguably not yet been fulfilled. Of the foundation works on Confederate finance, only Ball’s work attempts to provide an analytical framework for the massive quantities of available data. Nonetheless, *Financial Failure and Confederate Defeat* is somewhat dated and fails to integrate current scholarly thinking on fiscal and monetary matters.

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<sup>35</sup> James F. Morgan, *Greybacks and Gold: Confederate Monetary Policy*. (Pensacola: Perdido Bay Press, 1985), 135, 9.

<sup>36</sup> Larry Schweikart, *Banking in the American South from the Age of Jackson to Reconstruction*. (Baton Rouge: Louisiana State University Press, 1987), 294 – 295.

<sup>37</sup> Richard E. Beringer, Herman Hattaway, Archer Jones, and William N. Still, Jr. *Why the South Lost the Civil War*. (Athens: University of Georgia Press, 1986), 11 – 12.

Frank Owsley contradicted prevailing scholarship concerning European nonintervention in the Civil War when he published *King Cotton Diplomacy* in 1931.<sup>38</sup> Previously, most historians had ascribed moral causes (i.e. slavery) as grounds for Europe's failure to help the South in the Civil War. Owsley convincingly demolished these theories and instead pointed to economic reasons, starting with the "King Cotton theory" as the primary reason for the failure to intervene. The South's "...social and economic institutions rested upon cotton; abroad its diplomacy centered around the well-known dependence of Europe, especially England and France, upon an uninterrupted supply of cotton from the southern states....The result of such [European] interference would be the ending of the war, the opening of the source of the cotton supply, and the independence of the Confederacy."<sup>39</sup> Owsley presents a comprehensive and compelling narrative regarding the use of cotton as a weapon in the effort of the Confederacy to gain diplomatic recognition and force intervention. The economics of cotton for all parties is also thoroughly examined. There is also a brief review of Confederate finances abroad, primarily through the impact that cotton exported through the blockade had in purchasing war material. Although the analysis performed by Owsley is masterful and has withstood the test of time, making the work a seminal piece of historical scholarship, but the process of cotton purchasing and their relation to Britain's role in world markets requires considerably more development. There is room for further interpretation based upon new intervening scholarship and materials.

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<sup>38</sup> Frank Lawrence Owsley, *King Cotton Diplomacy: Foreign Relations of the Confederate States of America*. 2<sup>nd</sup> ed. (Chicago: University of Chicago Press, 1959)

<sup>39</sup> Owsley, 1.

Richard Lester's *Confederate Finance and Purchasing in Great Britain* was published in 1975, but based upon primary research done between 1958 and 1961.<sup>40</sup> Lester presents his case in terms of the Confederacy's financial policy as being directly relating to the purchasing operations in Great Britain, fulfilling the military needs of the armed forces. Lester concludes that, "[t]he war was not only fought on the battlefields of the North and the South; it was also waged in the streets of London, Liverpool, Manchester, and Glasgow by men who may never have heard a shot fired but who made it possible for the South to sustain its cause for years instead of months. It is difficult to overestimate the importance of Confederate commercial activities in Great Britain, and it is possible that if the war had been fought merely as an American conflict, it would have ended within a year to eighteen months."<sup>41</sup>

There is a dearth of scholarship exploring the financial and cultural interrelationship between the South and Great Britain outside of these short treatments of the matters in *King Cotton Diplomacy*, *Confederate Purchasing Operations Abroad*, and *Confederate Finance and Purchasing in Great Britain*. As previously stated, the latter two works focus on the business transactions that occurred to supply the Confederate war machine as opposed to the relationships between the parties. They do not place the transactions in the larger world-wide commercial context. This is not a question of diplomacy (which has been widely studied), but rather a question of the

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<sup>40</sup> Richard I. Lester, *Confederate Finance and Purchasing in Great Britain*. (Charlottesville: University of Virginia Press, 1975). A prime example of new materials influencing conclusions is Samuel Thompson's work in *Confederate Purchasing Operations Abroad*. Published in 1935, Thompson was a Ph.D. student under Owsley at Vanderbilt. Thompson's work was a straightforward narrative of the Confederacy's war material purchase program abroad. As was mentioned previously, Ball demonstrated that total foreign receipts from loan and business activities overseas amounted to over double the amount that Thompson cited in his work. Further, Lester's work wholly supercedes Thompson's.

<sup>41</sup> Lester, x.

culture of finance and between two similar social cultures separated by the Atlantic Ocean.

This work attempts to explore both the culture of the South's ties into international finance by examining the financial relationships with the South of the Confederacy and British merchant banking and agricultural factoring houses utilizing Professor Cain and Hopkins theory of "gentlemanly capitalism." The first portion of this analysis utilizes primary source correspondence, diplomatic messages, political speeches, memoirs, and newspaper accounts to gain a sense of both Great Britain and the Confederacy's sense of place in the world structure at the commencement of hostilities. Although these perceptions changed as the vagaries of war presented some harsh realities, there is a sense of presumed order between the South and Great Britain. For example, there is evidence that illustrates the assumptions about proper relationships that shaped financial dealings – assumptions that the South would produce agricultural exports (cotton) for Great Britain, while Britain would supply finished manufactured goods to the South. This, of course, is the classic definition of British imperialism with the mother country providing the finished goods, while the colony or economic trading partner provides the raw materials and it is striking the degree to which Southern leaders eagerly anticipated such a relationship.

The second portion of analysis examines the extant business records of Liverpool merchant banking houses Fraser Trenholm and Company and their activities as British bankers for the Confederacy combined with the business transactions of Alexander Collie & Company conducted with the State of North Carolina in blockade running. I hope to show that "gentlemanly capitalism" provides a theoretical framework allowing

comparative analysis for business and economic development in the Atlantic world between the United States and Great Britain.

Specifically, this work is an attempt to answer critics of Cain and Hopkins theory who call for “...representative examples on precisely how the allegedly powerful financial/fiscal capitalism of the City of London directly influenced overseas political, military and naval operations, the building of new colonies and the extensions of empire.”<sup>42</sup>

The analysis demonstrates that the South was attempting to find its fit in the world order. The Confederate leaders felt comfortable in the quintessential British imperial mercantile mold – produce raw materials, in this case agricultural goods (cotton), and buy finished goods from the mother country. For its part, Great Britain needed raw materials and a sales outlet for their manufactured goods. Most importantly, there was a bond between the political and business individuals of the Confederacy with the ruling elite of Britain, politicians and businessmen, the “gentlemanly capitalists” that resulted from Britain’s interest in expanding her economic imperialism to the southern United States.

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<sup>42</sup> Raymond E. Dumett, ed., *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire*. (New York: Longman, 1999) 11.

## CHAPTER TWO

### OPINION CONCERNING WORLD ORDER AND GENTLEMANLY CAPITALISM

At first blush, the linkage between the ruling class in Great Britain, individuals with birthright, great wealth and lands along with education, and the Southern elite seems tenuous at best. After all, the first successful settlers in Virginia during the 1600's were merchants and planters of middling backgrounds when compared to English gentry. Early colonists were scrappers, competitive and rapacious in their desire to succeed in the colonies and acquire ever-increasing amounts of land and goods.<sup>43</sup>

By the 1700's, the planter population had acquired better education, the veneer of cultured manners and a great reputation for generous hospitality. They followed the country squire example of Britain by engaging in drinking, gambling and horse racing. The planters were also emulating the English aristocracy's manner of dealing with people by "...mastering the genteel public style known as 'condescension'" a gentlemen's ability to treat common people affably without sacrificing his sense of superiority."<sup>44</sup>

The 1700's also saw the explosion of British shipping and trade with the colonies. Annual crossings by British merchant ships increased from five hundred in the 1670's to over fifteen hundred by the late 1730's. The increased shipping created trading patterns with colonial elites, merchants and planters, who became wealthier from this trade. This increased wealth manifested itself in the increased importation and consumption of

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<sup>43</sup> Alan Taylor, *American Colonies* (New York: Viking, 2001) 139.

<sup>44</sup> Taylor, 152.

British manufactured goods. Additionally, the increased frequency of trade led to more timely information about British fashion, tastes, political and military events and ideas.<sup>45</sup>

Equally importantly, the trade explosion during the eighteenth century laid the foundation in the South for the personal relationships with London merchants firms, who would become the backbone of British gentlemanly capitalists. A complex trading system evolved between the southern colonies, the West Indies and London merchant houses. The Navigation Acts required that the southern colonies and the West Indies ship tobacco and sugar directly to Great Britain. This increase in trade traffic created bills of exchange and surpluses with the London merchant firms that were then used to settle importation debts for finished goods bought from England and the northern colonies' trade of fish, lumber and naval provisions.<sup>46</sup>

The trading surplus was used by the colonists to purchase imported British manufactures, in conjunction with generous extensions of credit by British merchant firms. In 1700, the colonies imported about 10 percent of all British exports. By 1772, this had risen to 37 percent of all British exports. Besides being immensely profitable for British firms, these imports were being utilized by the colonists to emulate the English gentry. Brick plantation mansions, filled with fine imported furniture, beckoned the southern elites to their afternoon teas, dinners and balls. Traveling British gentry united colonial elites together, who attempted to distance themselves from their common cruder neighbors.<sup>47</sup>

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<sup>45</sup> Taylor, 302 – 03.

<sup>46</sup> Taylor, 305 – 06.

<sup>47</sup> Taylor, 311 – 12.

From the labor of slaves, the plantation owners and merchants of the southern colonies were able to amass wealth and land. Large land holdings in turn enabled the southern colonists, who became Americans after the revolution, to continue their quest to emulate the landed British gentry. The southern colonies' extensive trade relationships with British merchants, both from a credit and debit position, led them into far greater contact than most northern colonists.

By the early nineteenth century, Britain and America were inextricably linked by their trading economy. This trading economy was based upon exchanging raw materials and food from America for British manufactured goods, primarily cotton, coal and iron, along with financial services (banking, capital, shipping and insurance). "In this system, cotton played a conspicuous role: it was the pacemaker of industrial change; upon it British shipping and exports for long depended; while the areas provided its raw materials (the American South) and its giant export markets (India and the Far East) became almost dependent economies of Lancashire. For forty years before the War Between the States British industry depended upon America's slave economy for well over three-quarters of its raw cotton supplies. For the same years, raw cotton was America's major export, often totaling over half the value of all exports."<sup>48</sup>

Export figures for the time leading up to the war clearly illustrate the linkage with Britain (and to some degree France) for trade in rice, tobacco, cotton and naval stores. In 1851, exports totaled \$124,205,565 directly from the South – out of a total for the entire country of \$178,620,138. Of this total, \$112,815,317 was cotton, \$9,219,251 was tobacco and \$2,170,997 was rice. During 1853, the South exported \$120,000,000 worth

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<sup>48</sup> D. P. Crook, *The North, the South, and the Powers: 1861 – 1865* (New York: John Wiley & Sons, 1974), 5.

of cotton, tobacco and rice out of a total exported of \$153,809,000 for the entire country. In 1858, the South exported approximately \$185,000,000 out of the country's total exports of \$279,000,000. The year of 1859 saw Southern exports in cotton, rice and tobacco rise to \$198,389,351 out of the country's total exports of \$278,392,080. Clearly, the South carried the bulk of the overseas trade volume.<sup>49</sup>

Southern cotton was also better, cheaper and produced in greater quantity than its only rival, Indian cotton. Mill machinery used to produce cotton yarn was particularly suited to the short staple upland cotton grown in the South. Indian cotton typically had short fibers but with a high dust content resulting in 10 to 20 percent less yarn from the same amount of raw cotton. A finished product, such as cotton cloth, was thinner with a diminished sheen.<sup>50</sup>

Although Britain recognized its dependence on Southern cotton and attempted to mitigate this dependence by significant investments into Indian cotton agricultural ventures, the results were abysmal. In 1800 Britain imported 50,000,000 pounds from India. Almost 60 years later, in 1859, Britain imported only 60,000,000 pounds. Although demand for cotton had increased 1,000 percent since 1800, India could only provide a 20 percent increase in production. Therefore, the Confederate South believed that "King Cotton" ruled the cotton markets of the world, and the Confederacy would be able to leverage this dependence.<sup>51</sup>

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<sup>49</sup> Frank L. Owsley, *King Cotton Diplomacy: Foreign Relations of the Confederate States of America* (2<sup>nd</sup> ed. Rev. by Harriet Chappell Owsley, 1959; 1<sup>st</sup> ed. 1931 Chicago: University of Chicago Press, 1931) 13 – 14.

<sup>50</sup> Dean B. Mahin, *One War at a Time: The International Dimensions of the American Civil War* (Washington, D.C.: Brassey's, 1999) 83.

<sup>51</sup> Owsley, 4.

By 1861, cotton manufacturing in Britain was the preeminent industry, employing either directly, or indirectly, one-fifth of the entire English population. In Lancashire and two adjacent counties alone there were 2,195 factories, directly employing 500,000 people that consumed a billion pounds of cotton each year. Estimates range from 78 to 84 percent of total English cotton imports came from the Confederacy. The crop of 1860 was the largest on record, with a total harvest of 4,000,000 bales. Approximately 3,500,000 bales were exported abroad with the bulk of the exports shipped to Liverpool.<sup>52</sup>

### ***Gentlemanly Capitalism***

As previously discussed, Cain and Hopkins outline the impact of “gentlemanly capitalism” in Britain’s rising financial and service sector. In fact, they rank non-industrial forms of capitalism, particularly those in finance and commercial services, as being much more important than the Industrial Revolution in terms of output and employment than has been recognized to date. The rise of the new moneyed interests, such as merchants, in the 1700’s created new employment opportunities. Successful financial and trading operations led to innovations “...such as bills of exchange, actuarial tables, transport improvements, company law, [and] the financial press.” Cain and Hopkins argue that these upper echelon employment opportunities provided occupations suitable for gentlemen.<sup>53</sup>

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<sup>52</sup> Ephraim D. Adams, *Great Britain and the American Civil War* 2 vol. (New York: Longmans, Green and Co., 1925) 2: 6 – 7.

<sup>53</sup> Cain and Hopkins, *British* 19 – 22.

The definition of a “gentleman” evolved over time but the core attributes remained fixed.

The perfect gentleman adhered to a code of honour which placed duty before self-advancement. His rules of conduct were Christian as well as feudal in inspiration, and his rank entitled him to a place in the vanguard of Christ’s army, though with the knights and officers rather than among the infantry. Young gentlemen passed through a long process of education designed to meld these social and religious values: subsequently, they commanded positions in society which provided them with sufficient leisure to practise the gentlemanly arts, namely leadership, light administration and competitive sports. A gentleman required income, and preferably sizeable wealth, but he was not to be sullied by the acquisitive process any more than he was to be corrupted by the power which leadership entailed. In an order dominated by gentlemanly norms, production was held in low repute. Working directly for money, as opposed to making it from a distance, was associated with dependence and cultural inferiority.<sup>54</sup>

This ideal meant that the more one could emulate a life-style of Britain’s landed aristocracy, the greater the power and prestige conferred upon employment, whether relating to the land, or in financial and commercial affairs. These professions included the upper tiers of the law, the church, government service, and the officer class of the military. The profession of merchant banking stood at the top of this employment hierarchy. Merchant bankers could have significant wealth, while showing no visible means of support. More importantly, bankers relied upon a code of ethics and honor. Their word was their bond. Banking lent itself to a gentlemanly life-style, such as hunting and sports, at the same time providing opportunities to meet and befriend others in their social class, who could then refer to and increase the bankers’ business.<sup>55</sup>

In fact, “...the relations formed between the upper reaches of the financial world on the one hand and high society and high politics on the other were rooted more in face-

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<sup>54</sup> Cain and Hopkins, *British* 22 – 3.

<sup>55</sup> Cain and Hopkins, *British* 24 – 26.

to-face contact and personal understandings than imperfect market competition...” These relationships, as subsequently illustrated, between the ruling elite of the South and Britain’s gentlemanly capitalists, provided the underlying basis for lending, manufacturing and military supply between Britain and the Confederacy.<sup>56</sup>

For purposes of analysis therefore, the Cain and Hopkins theory can be broken down into three parts. The first part consists of all the underlying economic structures of Britain that drew the American South into its webs – the financial, commercial and industrial companies. In this work Alexander Collie and Company and Fraser, Trenholm & Company represent this portion. The second part of the theory requires a focus on the British “socio-political ruling elite” itself, which controlled the financial services sector – the “gentlemanly capitalists.” This group is analyzed in the remainder of this section and in the subsequent actions of the two company case studies. Cain and Hopkins contend that this group laid the foundation and provided the primary forces behind imperialism. The final part of the theory brings in the outside rim of the British imperial structure – the geographic regions that were not yet part of the political and economic British imperial structure, but played a critical role in the support. The political and commercial interaction in this region is where the first two parts of this theory come to bear in how this geographic region and its inhabitants are dealt with. Therefore, how the South presented itself and reacted to British actions are the analytical tool for this portion.<sup>57</sup>

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<sup>56</sup> Cain and Hopkins, *British* 27.

<sup>57</sup> Dumett, 4 – 6.

## ***British Opinion***

A contemporaneous account of English opinion on the Civil War provides support for the notion of “gentlemanly” support for the South. William Michael Rosetti was Senior Assistant Secretary of the British Inland Revenue Board, and brother to the famous artist Dante Gabriel Rosetti and writer Christina Rosetti. In February 1866, he published a work in *The Atlantic Monthly* outlining the course of English opinion during the Civil War. He freely admitted that his sympathies lay with the North and recognized that this may seem like “the mere worship of success.”<sup>58</sup>

Nonetheless, Rosetti noted that, in many circles of English society, he was a lone voice for the Northern cause. Rosetti estimates that about half of the English who took sides were Southern sympathizers. More importantly, this group was disproportionately middle and upper class. “This class comprehended the members of the leading professions, army nay, church, and bar, the writers upon events of the day in newspapers and elsewhere, and, broadly speaking, the moneyed and leading social circles, - in short, ‘the upper classes’...”. This was precisely the population of gentlemanly capitalists that Hopkins and Cain allude to.<sup>59</sup>

These men preferred doing business with men whom they could understand and relate to. Rosetti provides evidence for his class of Englishman’s feelings on this matter.

As regards English opinion upon the American dispute, nothing was commoner than the remark, that the Southerners were “the better gentlemen,” or “represented the aristocratic element,” and therefore commanded the speaker’s good wishes in their struggle; and this not necessarily from members of the landed gentry, or from political anti-

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<sup>58</sup> W. M. Rosetti, “English Opinion on the American War,” *The Atlantic Monthly* Vol. XVII (February 1866): 130.

<sup>59</sup> Rosetti, 142.

liberals, but equally from Liverpool merchants, or others of the middle class.<sup>60</sup>

The remark concerning Liverpool merchants is important as they were some of the most ardent Southern supporters, amply illustrated by the two case studies of Fraser Trenholm and Alexander Collie & Sons.

Evidence abounds in the London *Times* to support Rosetti's observations. On one level commentary focused on the landed, Southern planter elite. W. H. Russell, a Civil War correspondent for the newspaper, stated that the Southern admiration for privileged classes, landed aristocracy and gentry "is undisguised and apparently genuine." Further, the planters are ...well-bred, courteous, and hospitable. A genuine aristocracy, they have time to cultivate their minds, to apply themselves to politics and the guidance of public affairs. They travel and read, love field sports, racing, shooting, hunting, and fishing, are bold horseman, and good shots."<sup>61</sup>

British review magazines of the time, such as the *Saturday Review*, the *London Chronicle*, the *London Review* and the *Quarterly Review* picked up on the notion of the "Southern gentleman." By no means were all the reviews laudatory, and the ones most supportive of this portrayal tended to be Tory backed reviews. Nonetheless, during 1861, the Southern gentleman was a sympathetic figure in upper class salons and clubs.

At a distance of three thousand miles, the Southern planters did, indeed, bear a resemblance to the English country gentleman which led to a feeling of kinship and sympathy with him on the part of those in England who represented the old traditions of landed gentility. This 'Southern gentleman' theory, containing as it did an undeniable element of truth, is

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<sup>60</sup> Rosetti, 143.

<sup>61</sup> W. H. Russell, "The Civil War in America," *The Times*, 28 May 1861.

much harped upon by certain of the reviewers, and one can easily conceive of its popularity in the London Clubs.<sup>62</sup>

By May of 1861, most of the older British press organs were firmly in agreement on both the right to and the recognition of the succession of the South, although there was no unanimity as to the justifications or causes.<sup>63</sup>

But British admiration for the South focused not just on the planters, but also on the broader Southern political and economic system, which they saw as in tune with their own. Of course most of the ruling class in Britain was comfortable with the Southern planter aristocracy political system. It mirrored their own system. By the early 1860's, Britain's population was approximately 22 million. Out of that 22 million, only one million property owning males could vote in British elections. "Urban workers, merchants, servants, most agricultural laborers, women of all classes, and other sizable groups had no representation in Parliament." The British aristocracy was petrified that a Northern victory would signal that a representative, democratic (meaning universal suffrage) was overdue in Great Britain and would greatly increase pressure to do so.<sup>64</sup>

Further, as correspondence between an English attorney, Edwin W. Field and an American attorney, Charles G. Loring revealed, there was an underlying disdain about Northerners and their failure to conduct themselves as gentleman. Field admonished Loring that, "You will never believe it, but nine-tenths of every difficulty [between] you

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<sup>62</sup> Ephraim D. Adams, *Great Britain and the American Civil War* 2 vol. (New York: Longmans, Green and Co., 1925) 1: 46 – 48.

<sup>63</sup> Adams, 1: 69.

<sup>64</sup> Dean B. Mahin, *One War at a Time: The International Dimensions of the American Civil War* (Washington, D.C.: Brassey's, 1999) 26.

and us arises from the feeling here that your Government [the Union] does not mean to behave like gentlemen to England.”<sup>65</sup>

Although one could take the notion of the South returning to Britain as a colony to the extreme, it was not outside the realm of discussion. British Consul Robert Bunch, stationed at Charleston, South Carolina described a dinner given by the Charleston Jockey Club for Lord Lyons, the British Minister at Washington, D. C. Bunch was asked to give a speech after the races. He described the trophies given at British horse race tracks as including some for the running of races which honored various British colonies. He observed,

...I cannot help calling your attention to the great loss you yourselves have suffered by ceasing to be a Colonial Dependency of Great Britain, as I am sure that if you had continued to be so, the Queen would have had great pleasure in sending you some Plates too. Of course this was meant for the broadest sort of joke, calculated to raise a laugh after dinner, but to my amazement, the company chose to take me literally, and applauded for about ten minutes – in fact I could not go on for some time.

Bunch assured Lord Lyons, that the episode notwithstanding; he did not believe that South Carolina seriously desired to be re-annexed as a colony of Great Britain. Yet in keeping with the notion of gentlemanly capitalists, Bunch noted that, ...[t]he Jockey Club is composed of the ‘best people’ of South Carolina – rich planters and the like. It represents, therefore, the ‘gentlemanly interest’ and not a bit of universal suffrage.”<sup>66</sup>

W. H. Russell, correspondent of the *Times*, did report that Southern political leaders were “half inclined to become British once more.”<sup>67</sup> Russell expanded on this

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<sup>65</sup> Edwin W. Field and Charles G. Loring, *Correspondence on the Present Relations between Great Britain and the United States of America* (Boston: John Wilson and Son, 1862) 28.

<sup>66</sup> Consul Bunch to Lord Lyons, 2 February 1860, *Great Britain and the American Civil War* Ephraim D. Adams 2 vol. (New York: Longmans, Green and Co., 1925) 1:43.

<sup>67</sup> W. H. Russell, *The Times*, 30 May 1861.

observation in his memoirs after the war. “Then cropped out again the expression of regret for the rebellion of 1776, and the desire that if it came to the worst, England would receive back her erring children, or give them a prince under whom they could secure a monarchical form of government. There is no doubt about the earnestness with which these things are said.”<sup>68</sup> Certainly these observations cannot be taken as serious proposals, yet they indicate a willingness of the British not to dismiss them out of hand and perhaps reflect an acceptance of their sentiments. British newspaper articles and review magazines picked up on the theme of a “Southern gentleman” feeling kinship with the “old traditions of landed gentility,” with this view gaining “popularity in the London Clubs” among the gentlemanly capitalists.<sup>69</sup> This linkage to kinship was not just nostalgia on the part of the Confederacy, but tied rather to the South finding a place within the worldwide financial and industrial order that Britain was at the center of.

Added to this mix was this support of the British free trader, who had looked with approval on the Southern States’ fight with the North over tariffs and customs duties on cotton and other raw commodities.<sup>70</sup>

Upper class British political prejudices were enhanced by perceptions of British economic interests. The British saw the North as a major competitor and the South as a important supplier and customer. Northern industries, shipbuilders, and traders were the most important competitors of their British counterparts. Tariffs designed to protect industries in the North inhibited British exports to America. In contrast, the economic relations between Britain and the South were essentially those envisioned by British mercantilists in the seventeenth and eighteenth centuries – the

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<sup>68</sup> W. H. Russell, *My Diary North and South* (Boston: T.O.H.P. Burnham, 1863) 134.

<sup>69</sup> Adams, 1:48.

<sup>70</sup> Ephraim D. Adams, *Great Britain and the American Civil War* 2 vol. (New York: Longmans, Green and Co., 1925) 1: 21 – 22.

South produced raw materials (i.e. cotton) for British manufacturers and was a major customer for British manufactured products.<sup>71</sup>

Baron de Brunow, Russian Ambassador at London observed in a statement of classic divide and conquer strategy that "...the English Government, at the bottom of its heart, desires the separation of North America into two republics, which will watch each other jealously and counterbalance one the other. Then England, on terms of peace and commerce with both, would have nothing to fear from either; for she would dominate them, restraining them by their rival ambitions."<sup>72</sup> This official Russian communication back to St. Petersburg was echoed nine months later on September 26, 1861 in the *Times* by Sir Edward Bulwer-Lytton, a colonial secretary in a previous Tory administration. Sir Bulwer-Lytton felt that permanent separation of the North and South was extremely positive for all of Europe. The United States had threatened the safety of all Europeans as they "hung over Europe like a gathering and destructive thundercloud...as America shall become subdivided into separate states...her ambition [would be] less formidable for the rest of the world."<sup>73</sup>

With a divided United States, Britain free traders entertained notions that the South would fit quite nicely into the empire-colony economic relationship. "London may...occupy the position which New York has hitherto held in regard to the South."<sup>74</sup> British gentlemen espoused the very basis of "gentlemanly capitalism" when describing the economic link between Great Britain and the Confederacy. The South,

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<sup>71</sup> Dean B. Mahin, *One War at a Time: The International Dimensions of the American Civil War* (Washington, D.C.: Brassey's, 1999) 30.

<sup>72</sup> Baron de Brunow to Prince Gortchakov, 1 January 1861, in B. B. Sideman and Lillian Friedman, eds., *Europe Looks at the American Civil War* (New York: Orion Press, 1960) 20.

<sup>73</sup> *The Times*, 26 September 1861.

<sup>74</sup> Alexander James Beresford Hope, *England, the North & the South* (London: J. Ridgway, 1862) 2<sup>nd</sup> ed., 39.

...have no natural connexion with the Northern States, while their connexion with England is naturally one of the strongest mutual interdependence. Three-fourths of their annual produce is sent to us...This enormous interchange between them and us ought to be effected directly, and not circuitously; but owing to the Federal Union, and to the injurious operation of its Tariff upon the South, it is artificially and unnaturally managed through the intrusive agency of New York and of the Northern States...England and the South gravitate towards each other with the strongest force of commercial attraction. Each has enormous wants, and each desires exactly what the other has to supply. They form one system, and are bound together by interest completely identical.<sup>75</sup>

Although the South was unaware of British diplomatic conversations, their initial tenor lent credence to the view that Britain was favorably disposed toward the Southern position. After President Lincoln was inaugurated in March 1861, William Seward became the North's Secretary of State. Seward wasted no time in meeting with Lord Lyons to discuss the tumultuous situation. On March 20<sup>th</sup>, in a confidential conversation Lyons was undiplomatically blunt to the bluster of Seward and potential Union actions.

...If the United States determined to stop by force so important a commerce as that of Great Britain with the cotton-growing States, I could not answer for what might happen...It was however a matter of the greatest consequence to England to procure cheap cotton. If a considerable rise were to take place in the price of cotton, and British ships were to be at the same time excluded from the Southern Ports, an immense pressure would be put upon Her Majesty's Government to sue all the means in their power to open those Ports. If Her Majesty's Government felt it to be their duty to do so, they would naturally endeavour to effect their object in a manner as consistent as possible, first with their friendly feelings towards both Sections of this Country, and secondly with the recognized principles of International Law. As regards the latter point in particular, it certainly appeared that the most simple, if not the only way, would be to recognize the Southern Confederacy.<sup>76</sup>

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<sup>75</sup> John W. Cowell, *Southern Secession: A Letter Addressed to Captain M. T. Maury, Confederate Navy, on his letter to Admiral Fitzroy* (London: R. Hardwicke, 1862) 40 – 42.

<sup>76</sup> Lord Lyons to Lord John Russell, 15 April 1861, *Lord Lyons: A Record of British Diplomacy*, Lord Newton 2 vols. (London: Edward Arnold 1913), 1: 64.

On April 15, 1861, Lord Lyons wrote to Lord Russell outlining the planned Union blockade of the South under the guise of enforcing U.S. custom laws. Lyon observed that if the Union were permitted to seize any ship on the pretext of a custom law violation then, “our commerce will be exposed to vexations beyond bearing, and all kinds of new and doubtful questions will be raised....It would certainly justify Great Britain and France in recognizing the Southern Confederacy...”<sup>77</sup>

In response, Lord Russell indicated that both the Union and Confederacy must be considered at war and apply all the rules respecting blockades and letters of marque, and Lyon was to inform all British naval officers to conform to the rules of the blockade.<sup>78</sup>

The South certainly became aware of a House of Commons debate that took place in July 1862 with “a celebrated speech by Gladstone [Liberal M.P., later Prime Minister] in which he asserted that ‘Jefferson Davis and the leaders of the South have made an army; they are making, it appears, a navy; and they have made, what is more than either – they have made a nation,’ which certainly tended to show that however impartial the Cabinet intended to be, the sympathies of England were to a great extent with the South.”<sup>79</sup> This did not mean that Gladstone was an admirer of the undemocratic Southern planters, but rather a free trader. And as a free trader, he was an advocate of gentlemanly capitalism, with a people whose values he understood.

The gentlemanly capitalists spoke through Lord Palmerston, former Prime Minister, declaring in 1861 to the Foreign Office: “It is in the highest degree likely that the North will not be able to subdue the South, and *it is no doubt certain that if the*

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<sup>77</sup> Lord Lyons to Lord John Russell, 15 April 1861, Newton 1: 36.

<sup>78</sup> Lord Russell to Lord Lyon, 6 May 1861, Newton, 1:37 – 38.

<sup>79</sup> Newton, 1: 89.

*Southern union is established as an independent State it would afford a valuable and extensive Market for British Manufactures, but the operations of the war have as yet been too indecisive to warrant an acknowledgment of the southern Union.”* (emphasis added)<sup>80</sup>

### ***Southern Opinion***

The Confederate States’ view of their place in the world order clearly seemed to echo or perhaps even played to English sentiment. Succinctly, the South wanted to be the supplier of raw material (e.g. cotton) to Britain, and be a market for British manufactured goods in a free market trade system. Of course, this trading structure is also the classic model for British imperial colonialism. The structure also permitted the intersection of economics and culture through gentlemanly capitalism.

In his first inaugural address on February 18, 1861, President Jefferson Davis outlined that the South was composed of “[a]n agricultural people, whose chief interest is the export of commodities required in every manufacturing country, our true policy is peace, and the freest trade with our necessities will permit...This common interest of the producer and consumer can only be interrupted by exterior force which would obstruct the transmission of our staples to foreign markets – a course of conduct which would be as unjust, as it would be detrimental, to manufacturing and commercial interests abroad.”<sup>81</sup>

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<sup>80</sup> Lord Palmerston to Sir Henry Layard, 30 October 1861, *Lord Palmerston*, Jasper Ridley (New York: Dutton, 1971), 552.

<sup>81</sup> Inaugural Address of the President of the Provisional Government, 18 February 1861, James D. Richardson, ed. *The Messages and Papers of Jefferson Davis and the Confederacy*. Vol. I (Chelsea House: New York, 1966) 33 – 35.

Davis continued his entreaties to Britain in his second inaugural address on February 22, 1862.

It is a satisfaction that we have maintained the war by our unaided exertions. We have neither asked nor received assistance from any quarter. Yet the interest involved is not wholly our own. The world at large is concerned in opening our markets to its commerce. When the independence of the Confederate States is recognized by the nations of the earth, and we are free to follow our interests and inclinations by cultivating foreign trade, the Southern States will offer to manufacturing nations the most favorable markets which ever invited their commerce. Cotton, sugar, rice, tobacco, provisions, timber, and naval stores will furnish attractive exchanges.<sup>82</sup>

President Davis was not the only Southerner who tried to indicate where the South should fit in the world order with Britain at the helm. Southern banker and businessman, C. T. Lowndes wrote to Confederate Secretary of the Treasury Memminger in 1861, indicating that England needed the South's raw materials and recognizing that the South generated a profitable return to British manufacturers.

I will not dwell upon the value of the staples of the South, long since recognized as an important element in her strength; prominent among them are cotton and tobacco – the former ministering to the industry of untold numbers, the latter furnishing no inconsiderable item to the revenue of both France and England.

The possession, control, and withholding of these staples, more especially the former, would weaken and distract our enemies, first, by depriving them of a profitable return earned from its manufacture; and, secondly, in compelling them to provide for that portion of their population that would be numbered indigent from loss of occupation incident to such employment, or to be subjected to the inconvenience of a dissatisfied and restive community; while, on the other hand, the control of such staples would add vastly to the strength and influence of the Confederacy when

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<sup>82</sup> Inaugural Address of the President of the Provisional Government, 22 February 1862, James D. Richardson, ed. *The Messages and Papers of Jefferson Davis and the Confederacy*. Vol. I (Chelsea House: New York, 1966) 187.

treating with European governments for the recognition of her independence and the negotiation of treaties.<sup>83</sup>

William Elliot, a South Carolina statesman and writer espoused an intriguing line of reasoning in the mid 1850's. Elliot suggested, in a letter to his wife, that the agrarian South and the commercial interests of Europe had common ground in their attitudes toward the rapidly ascending commercial and trading hegemony of the North and New York. If there were an independent South aligned with Britain, then both would reap the benefits of free trade.<sup>84</sup>

The plainest proposal of all came from the future chairman of the Confederate Committee on Foreign Affairs, Robert Barnwell Rhett. Rhett could be assumed to speak for South Carolina with some authority as a former Attorney General, U. S. Congressman and Senator when he visited Robert Bunch, the British consul at Charleston on December 15, 1860. He told Bunch that he expected secession within the next sixty days and wanted to explore the future relationship with Great Britain. Further Rhett was direct with Bunch in the Confederacy's hopes for the future with Britain. Bunch wrote to Lord John Russell, Foreign Secretary, about the meeting on the same day.

He [Rhett] stated that the wishes and hopes of the Southern States centered in England; that they would prefer an Alliance with Her to one with any other Power; that they would be Her best customers; that free trade would form an integral portion of their scheme of Government, with Import duties of nominal amount and direct communication, by steam, between the Southern and British Ports. Thus, he hope, that with Great Britain dependent upon the South for Cotton, (upon which supposed axiom, I would remark, all their calculations are based) and the South upon her for manufactured goods and shipping, an interchange of

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<sup>83</sup> C. T. Lowndes to Memminger, 13 June 1861, Raphael P. Thian, *Correspondence with the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part V (Washington 1879) 134.

<sup>84</sup> William Elliott to his wife, September 20, October 6, 1855. Elliott Family Papers. Southern Historical Collection, University of North Carolina, Chapel Hill.

commodities would ensue which would lead to an unrestricted intercourse of the most friendly character.<sup>85</sup>

Consequently, there appears to be ample evidence that there was a meeting of the minds as concerns the notion of “gentlemanly capitalism.” Both the South and the British admired one another and at least on occasion espoused the necessary trust and like-minded thinking that characterized the foundations of doing business with one another. Further, there seemed to be general agreement about the South’s role in the new world order, as an agricultural producer of raw material for the British manufacturing industry and then ultimate consumers of those finished goods.

Most importantly, this correspondence and public writings clearly illustrate and understanding on both sides of the proper culture for defining an economic relationship. This was the basis for gentlemanly capitalism, and while one can argue that perhaps the language used in correspondence was merely indicative of the social norms of the time, analysis of this evidence is too consistently attuned to the underlying cultural foundations comprising that basis.

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<sup>85</sup> Bunch to Russell, 15 December 1860, F. O., Ser. II, v. 745, reprinted in Edmund C. Burnett, ed., “Despatch from the British Consul at Charleston to Lord John Russell, 1860,” *American Historical Review*, XVII (July 1913), 783 – 87.

## CHAPTER THREE

### GENTLEMANLY CAPITALIST – CASE STUDIES

#### *Fraser, Trenholm & Company*

The early business years of Fraser, Trenholm & Company are lost to scrutiny except for a few partnership contracts. The firm was formed sometime in the early 1850's in Liverpool, England by Charles K. Prioleau, Edward L. Trenholm and James T. Welsman. It shared an interlocking directorship with Trenholm Brothers of 42 Pine Street in New York City. The firm also had a commercial relationship and directorships with John Fraser & Company, a cotton-trading firm located in Charleston, South Carolina.<sup>86</sup>

Captain Caleb Huse, Confederate purchasing agent, described the role of Fraser, Trenholm in the Civil War. “We were both to look to Fraser, Trenholm & Co., for all the money we were to expend, as indeed were all the diplomatic agents...There was no loan to negotiate; for the Confederacy – recognized only as belligerents – had no credit among nations, and no system of taxation by which it could hope to derive any revenue available for purchasing supplies abroad. But it possessed a latent purchasing power such as probably no other Government in history ever had.” Huse was, of course, speaking about the Southern States’ cotton crop.

Throughout the war whatever cotton the Confederate Government sold overseas was all consigned to Fraser, Trenholm & Co., Liverpool. The Confederate army, navy

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<sup>86</sup> Ethel S. Nepveux. *George Alfred Trenholm and the Company that Went to War 1861 – 1865*. (Anderson, South Carolina: Electric City Printing Co. 2<sup>nd</sup> printing 1994) 7.

and diplomatic corps utilized whatever proceeds the sale of this cotton generated, generally under the purchasing auspices of Captain Huse.<sup>87</sup>

The supplies were, in every instance, bought at the lowest cash prices by men trained in the work as contractors for the British army. No credit was asked. Merchants having needed supplies were frankly told that our means were limited, and our payments would be made by cheques on Fraser, Trenholm & Co., Liverpool, an old established and conservative house. The effect of such buying was to create confidence on the part of the sellers, which made them more anxious to sell than were we to purchase. When the end came, and some of the largest sellers were ruined, I never heard a word of complaint of their being over-reached or in any manner treated unfairly...Cotton, the only article of value to the outside world, passed into possession of the Government continuously and without friction, and was landed in Nassau – exceptionally in Bermuda – with no back charges due. Every shilling that a bale was worth, as it lay at the landing-place, was so much to the credit of the War or Navy Department with Fraser, Trenholm & Co., Liverpool, and was available as soon as the arrival was announced by mail via New York. There were literally no leaks. *More devoted or more intelligent and trustworthy agents than were Fraser, Trenholm & Co., during the four years in which they acted for the Richmond Government, never served any principal.*<sup>88</sup> (Emphasis added)

Although Captain Caleb Huse was a Northerner by birth, he was nonetheless appointed war material purchasing agent for the Confederacy by President Jefferson Davis in April of 1861. Confederate Treasury Secretary Memminger accepted Fraser & Co's offer to give a credit on England for use by Captain Huse. This was backed by a £5,000 letter of credit from the Confederate Treasury along with an equal letter from the Bank of Charleston. Memminger made special arrangements with the Secretary of War to order Captain Huse "for this special purpose, and to have the benefit of your counsel and direction." Specifically, Memminger wanted Fraser to facilitate Huse's mission by

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<sup>87</sup> Caleb Huse. *The Supplies for the Confederate Army: How They Were Obtained in Europe and How Paid For.* (Boston: Press of T. R. Marvin & Son, 1904) 22 – 23.

<sup>88</sup> Huse, 25 and 28.

providing, "...your house in Liverpool, to give Captain H. active assistance in making purchases of arms and munitions of war for the Confederate Government, to the extent of between \$150,000 and \$200,000, and placing him in such connection with dealers and manufacturers as will cause his orders to be fulfilled without delay."<sup>89</sup>

Fraser & Co. responded immediately to Memminger's request, obtaining letters of credit for £10,000 remitted to Fraser, Trenholm in Liverpool. The ties of gentlemanly capitalists were beginning to form as the firm "...hope Captain Huse may find and ship the '*Emily St. Pierre*' in Liverpool. We have given directions to have her placed under British colors, and to detain her some time for Captain Huse's convenience. Captain Tessin, who commands here, is a man of education, a first-rate navigator, and devoted to the interests of the Southern Confederacy."<sup>90</sup>

Directly following this initial exchange, Memminger again called on John Fraser & Co. the next month, May 1861. Similar arrangements for a \$200,000 letter of credit in England were made for James D. Bullock, who would act as a procuring agent for the Confederate Navy. On the same date, May 18<sup>th</sup>, Memminger writes directly to Fraser, Trenholm & Co. in Liverpool directing that three bills of exchange, each worth £30,000 would be arriving shortly. The bills were to be presented for acceptance and held for the

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<sup>89</sup> Memminger to John Fraser & Co., 15 April 1861, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part IV (Washington 1879) 62.

<sup>90</sup> John Fraser & Co. to Memminger, 22 April 1861, Raphael P. Thian, *Correspondence with the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part V (Washington 1879) 74 – 5.

use of Mr. Bullock.<sup>91</sup> The letters of credit would be drawn down, as needed by Bullock, with Fraser, Trenholm charging a commission of 1 ½% on the amount drawn.<sup>92</sup>

A second piece of correspondence hints at the tie of “gentlemanly capitalists” between Memminger and Charles Prioleau, a principal of Fraser Trenholm.

I ask leave to introduce to you Captain Jas. H. North, of the Navy of the Confederate States. He will explain to you personally the object of his visit; and I ask from your kind consideration any aid you can give to advance that object. Captain North enjoys the confidence of those who have sent him, and you may assure any one dealing with him of the full performance of any engagement he may make. *I rely personally upon Mr. Prioleau for his co-operation.*<sup>93</sup>

This core element of gentlemanly capitalism, the personal attention and relationship, between the parties is hinted at and referred to on occasions such as these, but not necessarily as explicitly stated as this. As previously discussed, being dismissive of such phrases as part of the normal course of “business as usual” is easy and perhaps has some validity. However, the personal touches evidencing a shared cultural view and background surface again and again. The core basis of gentlemanly capitalism is this concept of shared cultural view. These shared values then translated into economic relationships. Without these expressions of trust and continued personal attentions, the foundations would not have been laid for the economic relationship of gentlemanly capitalism.

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<sup>91</sup> Memminger to John Fraser & Co., 18 May 1861; Memminger to Fraser, Trenholm & Co., 18 May 1861, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 83 – 4.

<sup>92</sup> Memminger to John Fraser & Co., 23 May 1861; Memminger to Fraser, Trenholm & Co., 18 May 1861, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 88.

<sup>93</sup> Memminger to Fraser, Trenholm & Co., 18 May 1861, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 84.

Further evidence of this trust and personal attention was illustrated by another piece of correspondence from Memminger concerning the loyalty of Captain Huse [which later proved to be totally unfounded] who was due to shortly arrive in England and gain access to the \$200,000 letter of credit and bills of exchange previously arranged. The Secretary of War directed that a Major Anderson travel to England and interrogate Huse. If Anderson was not satisfied then he was "...to take charge of the whole matter." The implicit trust between gentlemanly capitalists is evident in the directions given to Fraser, Trenholm.

In the event then that Major Anderson should determine upon the expediency of superseding him, you will please take immediate measures to secure the proceeds of the bills of exchange. In all probability Captain H. can be induced to endorse them to you, as that was the original plan. Please endeavor to secure the point, as it will give us command of the money; but if he should refuse to do that, be pleased to take adequate measures to prevent the bills from being negotiated or paid.... I recommend Major A. especially to your Mr. Prioleau, and ask his aid and counsel in the important matters intrusted [sic] to him.<sup>94</sup>

By October of 1861, the relationship between Memminger and Fraser, Trenholm had progressed to the point where the Confederacy was relying upon their British friends to acquire Treasury note paper, ink, steel plates, printing presses, and six lithographic printers! The printers, emigrating presumably to the Confederacy for the near term, would be insured jobs paying from \$20 to \$30 per week. Memminger has already come to trust and rely on Fraser, Trenholm as he states, "...I would request you to charge yourselves with the commission, as I am sure your management would be the most

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<sup>94</sup> Memminger to Fraser, Trenholm & Co., 18 May 1861, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 85.

judicious of any agents I can procure.”<sup>95</sup> Once again, trust implicit in the developing relationship. This represents another foundation block in the development of gentlemanly capitalism.

In November, 1861, Memminger utilized Fraser & Co. to purchase turpentine and cotton on behalf of the Confederacy for European shipment aboard the *Fingal* harbored in Savannah. After sale in England, the net proceeds were to be placed with Fraser, Trenholm.<sup>96</sup>

A series of letters in early January 1862, officially confirmed Fraser, Trenholm & Co. as the Confederacy’s European bankers. There was a great deal of confusion about what the terms of compensation should be and how the funds on deposit should be treated. Fraser, Trenholm did not have any information about what other banks charged governments and proposed that whatever the Confederacy wanted to pay was acceptable to Fraser. For his part, Memminger wanted “...no arrangements of your house in Liverpool that would place them on a footing below the bankers of highest character and credit...If such a mode of doing business is not usual in England, and would affect the standing of a house who might undertake it, I have nothing more to say. *I have so much confidence in your house that, having stated my wish, I leave it entirely with you to carry it out as far as may be judged by you proper and practicable.*”<sup>97</sup> Here is continued evidence of gentlemanly capitalism, illustrating the basic tenets of trust and delegation.

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<sup>95</sup> Memminger to Fraser, Trenholm & Co., 10 October 1861, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part IV (Washington 1879) 201 – 2.

<sup>96</sup> Memminger to Fraser & Co., 21 November 1861, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part IV (Washington 1879) 232.

<sup>97</sup> Memminger to Fraser & Co., 18 January 1862, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part IV (Washington 1879) 258. Further correspondence, Memminger to Fraser & Co., 10 January 1862, 31 January 1862 Thian,

By April 1862, Fraser, Trenholm & Co. was indeed being treated as a respected banking house by the Confederacy. Fraser proposed to be compensated on the same basis as Baring Brothers & Co. was with the United States Government. Memminger agreed.<sup>98</sup>

As the blockade of the Confederacy continued, the foreign markets became significantly more important. Memminger was besieged by request for foreign currency to facilitate war material purchases. He relied heavily upon John Fraser & Co. and Fraser, Trenholm.

I regret that the other Departments of the Government had not notified me at an earlier period of their wants in foreign markets, so that I might have provided funds while they ruled at lower rates; but the hope of an end to the blockade, or of some favorable turn of affairs, has probably, from time to time, been indulged by all of us. Nevertheless, the stern fact is now before us that we need a large supply of foreign goods for the Army and Navy, and funds abroad are necessary to pay for them.<sup>99</sup>

The increased demands for funds led Memminger to turn to another individual in Liverpool to help raise funds in the bond market. Upon a suggestion made to another member of the Confederate cabinet, Memminger was directed to engage James Spence of Liverpool as an agent to sell \$500,000 of 8 percent bonds. If Spence was successful enough to realize more than 60 percent of the face value, he was authorized to sell \$1,000,000 worth. In the event that 75 percent face value could be achieved, then Spence could sell \$5,000,000 worth. Spence was also authorized to utilize the bonds to purchase

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*Correspondence of* 250, 262. Fraser & Co. to Memminger, 13 January 1862, 24 January 1862 Raphael P. Thian, *Correspondence with the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part V (Washington 1879) 467 – 8, 478 – 9.

<sup>98</sup> Memminger to Fraser & Co., 18 April 1862, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 289.

<sup>99</sup> Memminger to Fraser & Co., 22 August 1862, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 340.

a steamer or cargo ship, if cash was unobtainable. Memminger directed Fraser, Trenholm to assist Spencer and of course act as the agency for negotiating and issuing the bonds if the sales were made.<sup>100</sup> Memminger specifically directed Spence, “[a]s it is very important that there should be no breach of any contract made by this Government, I would request that every proper effort should be made to preserve our good faith.”<sup>101</sup>

In an extraordinary illustration of the tenets of “gentlemanly capitalism,” a principal of Fraser, Trenholm, Charles K. Prioleau informed Memminger why James Spence would not be suitable for this financial effort. There were obvious conflicts of interest by Fraser, Trenholm and significant financial incentives for the disqualification of Spence from an agency arrangement, but a reading of Prioleau’s concerns amply demonstrates his belief that Spence lacked necessary gentlemanly qualities.

It is with much diffidence that I approach the discharge of what I consider a duty in mentioning confidentially the position of Mr. James Spence. For this gentleman I entertain feelings of personal respect and regard, of admiration for his talents as a writer and speaker, and for his warm advocacy of our cause. There is nothing whatever against his character in any way, but his position, commercially and financially, is not, I fear, such as to make him a proper person to whom to intrust [sic] the sale of negotiation of a large amount of national securities. He has failed in business once or twice, but never dishonestly, having paid all his creditors in full, and his present occupation is that of a dealer in tin plates and iron, upon commission, in a rather small way. There can be no question, I think, of the vital importance of steps being taken to insure that the bonds of the Confederacy should only be put in circulation in the best and most dignified manner, and through the hands of bankers of the highest standing, who are in the habit of launching large national loans upon the European stock exchanges. The sensitive anxiety which I feel on this point, namely, that the affairs of the Confederacy, which have been

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<sup>100</sup> Memminger to James Spence, 18 August 1862; Memminger to Fraser, Trenholm & Co., 18 August 1862, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 337 – 8.

<sup>101</sup> Memminger to James Spence, 20 September 1862, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65* Appendix – Part IV (Washington 1879) 355 – 6.

arranged with such consummate ability in the Cabinet and the field, should not be bungled in the money market, must plead my excuse for writing you these lines, the motives for which I feel sure you will not misinterpret...<sup>102</sup>

Although Memminger did not remove James Spence formally from his position of financial agent, Spence was effectively shunted aside during any meaningful financial dealings. When the Erlanger loan, the South's first and only foray into the European capital markets with cotton as collateral, was being negotiated, Colin McRae handled the matter instead of Spence.<sup>103</sup> Later in 1863, Memminger chided Spence for interfering with the deposits from the Erlanger loan proceeds. Memminger seems to have taken Fraser, Trenholm's advice to heart. "Both the receipts and the payment set forth in your account are therefore irregular, and must be set right by proper documents. Your appointment as financial agent was intended to invest you with the authority and charge you with the duties of raising funds. These funds, when raised, are to go into the hands of the depository and be disbursed by him upon warrants issued here. It was not intended, no is it desirable, that you should keep the accounts; that is the duty of the depository."<sup>104</sup>

By September, 1862 over \$3,095,042 had been sent in coin, sterling bills or produce to Caleb Huse in England for military purposes. An additional \$200,000 letter of credit was drawn on Fraser, Trenholm & Co. on April 15, 1861. Captain J. D. Bullock

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<sup>102</sup> C. K. Prioleau to Memminger, 6 November 1862, Raphael P. Thian, *Correspondence with the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part V (Washington 1879) 665 – 6.

<sup>103</sup> Memminger to Spence, 7 February 1863, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part IV (Washington 1879) 415.

<sup>104</sup> Memminger to Spence, 25 May 1863, Raphael P. Thian, *Correspondence of the Treasury Department of the Confederate States of America, 1861 – 65*. Appendix – Part IV (Washington 1879) 463.

received \$3,056,483 from May 11, 1861 through May 8, 1862 for the purchase, construction, arming and equipping vessels of war.<sup>105</sup>

The Erlanger loan was a cotton backed bond loan scheme contracted for with Emile Erlanger, a French banker to Napoleon III. This infamous loan, both from a sales perspective and net proceeds analysis has been the subject of extensive scholarly review. There is no need to review these works, as this loan does not impact the thesis of this paper. However, Fraser, Trenholm was helpful in selling some portion of the cotton bonds and handled the £1,767,920 net proceeds of the Erlanger loan. Fraser, Trenholm & Co. handled the expenditures for war materials on behalf of the War and Navy Department equating to £1,545,301.<sup>106</sup>

Erlanger acknowledged Fraser, Trenholm's help in a letter to John Slidell on March 15, 1863.

I have been yesterday to Liverpool to arrange matters with Messrs. Fraser, Trenholm and Mr. Spence, and I am glad to say my trip has not been unsuccessful. Messrs. Fraser & Company will represent the loan at Liverpool. Here in London, Messrs. J. H. Schroder & Company will bring the loan out. They took it up very warmly and we have very fair prospects of great success.<sup>107</sup>

For the remainder of 1863 and through the summer of 1864, Fraser, Trenholm & Co. continued providing services in the same manner as before. They processed payments, cajoled Confederate creditors and provided financial resources to the various

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<sup>105</sup> Memminger to Davis, 3 September 1862, Raphael P. Thian, *Reports of the Secretary of the Treasury of the Confederate States of America* Appendix – Part III (Washington 1878) 83 – 84.

<sup>106</sup> Memminger to Davis, 28 December 1863, Raphael P. Thian, *Reports of the Secretary of the Treasury of the Confederate States of America* Appendix – Part III (Washington 1878) 235 – 6. From contemporary correspondence. Gentry has a detailed study of the Erlanger loan proceeds in Judith Gentry. "A Confederate Success in Europe, the Erlanger Loan." *Journal of Southern History* 36 (May 1970): 157 - 188.

<sup>107</sup> Erlanger to John Slidell. 15 March 1863, Erlanger Papers. Quoted in Richard I. Lester. *Confederate Finance and Purchasing in Great Britain*. (Charlottesville: University Press of Virginia, 1975) 34.

Confederate agents in Europe. During the summer of 1864, arrangements were made under the direction of James Bulloch, chief agent of the Confederate States Navy Department in Britain, to purchase or build eight blockade-runner steamers. Two of the steamers, the *Bat* and the *Owl* were purchased and left for Bermuda by August 1, 1864. During this time period, Alexander Collie & Company of London was also contacted about supplying blockade-runners. As is illustrated in the next case study, Collie & Company was busy dealing with North Carolina, although they did agree to a six month contract with the Richmond government.<sup>108</sup>

Unfortunately, with the fall of the port of Wilmington, North Carolina on February 22, 1865 the stream of revenue from cotton sales resulting from blockade-running drew to a close. The fall also meant that no revenue stream was now available to Fraser, Trenholm & Co. to meet Confederate purchase operations. James Bulloch remarked upon their condition and their “gentlemanly capitalist” demeanor.

Messrs. Fraser, Trenholm and Co., the bankers of the Government, were in no better plight at the close of the war than the special fiscal agent of the Treasury. They had throughout the war used their own commercial credit without stint to sustain the Government, and were nearly always under advances, at least to the War Department. At the time when hostilities actually ceased and the authority of the United States over the whole country was resumed, the Confederate finances in Europe were in a condition of actual depletion. The only Department which had a balance in the hands of the bankers was that of the navy; but that balance was not sufficient to make good the deficits in other accounts. *Messrs. Fraser, Trenholm and Co., acting with their accustomed liberality and public spirit, informed me that they would pay any liabilities of the Navy Department for which I had given a personal pledge, but they thought that I should make the best practicable arrangements with the contractors, so as to leave as much as possible for transfer to the general account.*<sup>109</sup>

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<sup>108</sup> Charles S. Davis. *Colin J. McRae: Confederate Financial Agent*. Confederate Centennial Studies: Number Seventeen (Tuscaloosa, Alabama: Confederate Publishing Company, 1961) 56 – 7.

<sup>109</sup> James D. Bulloch, *The Secret Service of the Confederate States in Europe or How the Confederate Cruisers Were Equipped* (New York: Thomas Yoseloff 1959) 1884 2 vols. II: 418 – 19.

After victory, the United States government lost little time in bringing suit in July 1865 against the firm of Fraser, Trenholm & Company, Liverpool to recover alleged Confederate assets. Although through three lawsuits and over two years, the British courts ruled in favor of Fraser, Trenholm & Company, the process exhausted the resources of the firm. Fraser, Trenholm & Company was forced into bankruptcy.<sup>110</sup>

### *Alexander Collie and Company*

Unfortunately, like Fraser, Trenholm & Company, Alexander Collie and Company's records have been lost. Contemporary references identify them as a London based merchant banking house with a branch in Manchester. As will be seen, they played a large role in both North Carolina and Confederate overseas financial transactions.<sup>111</sup>

In juxtaposition to the failure of the Confederacy to take early control of blockade runners cargo shipments, North Carolina's action in shipping its own cotton supplies to England on its own vessels guaranteed that sales of cotton would generate British currency to help finance the state's purchase of war supplies in Europe.

The financing plan was relatively straightforward, but stands in stark contrast to the disjointed overseas financing efforts of the Confederacy. John White of Warrenton, "a merchant of wide experience and dependable character," was appointed special commissioner by Governor Vance to go to Europe as State Agent and purchase

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<sup>110</sup> G. W. Hemming, ed. *Law Reports*. (London, 1867) Vol. II. 559 – 69; *London Times*, 18 June 1867.

<sup>111</sup> *War of the Rebellion: The Official Records of the Union and Confederate Armies* (Washington: Government Printing Office, 1889 – 1901), Series IV, Vol. III, 525 – 29.

supplies.<sup>112</sup> White was specifically empowered to negotiate for the sale of North Carolina cotton bonds utilizing these proceeds to purchase supplies in Europe to “clothe and equip her troops.”<sup>113</sup> White observed, “Cotton is equal to gold in England...”<sup>114</sup> In order to realize that value, Governor Vance utilized a portion of the two million dollar appropriation supplemented by a later \$324,000 fund provided by the General Assembly to purchase large quantities of cotton from private citizens, storing it in North Carolina warehouses.<sup>115</sup>

Using this cotton as collateral, North Carolina issued a Cotton Certificate, representing twelve bales of cotton, with each bale weighing 400 pounds. In essence, each certificate, issued on June 1, 1863, was a financial instrument called a warrant. The certificates were denominated in value at one hundred pounds sterling and bore interest at seven percent per annum until the purchaser requested delivery of the cotton. Sixty days prior notice was required for delivery. North Carolina guaranteed delivery of the cotton “...ginned, packed, and in sound merchantable condition at the port of Wilmington, Charleston, or Savannah, or if practicable at any other port in the possession of the Confederate States Government, except the ports of Texas.” Optimistically, the warrant provided that if the cotton were not claimed “...within three months after the ratification

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<sup>112</sup> Frontis W. Johnston, ed., *The Papers of Zebulon Baird Vance, 1843 - 1862*. Vol. 1. (Raleigh, N.C.: State Department of Archives and History, 1963) citing Vance Letter Book, November 1, 1862, lii.

<sup>113</sup> Zebulon B. Vance to John White, November 1, 1862, Johnston, 288 – 289.

<sup>114</sup> John White to Z. B. Vance, *Report of State Agent in England*, 1864. Governors' Papers, Zebulon B. Vance, Correspondence, Miscellaneous. North Carolina State Archives, Raleigh, North Carolina (NCAH – 4389). [Hereinafter cited as John White Report.]

<sup>115</sup> North Carolina, General Assembly, *Public Laws of the State of North Carolina, Passed by the General Assembly at its Adjourned Session of 1863*, “An Act Making an Appropriation to Purchases in Europe,” Adjourned Session, 1863. (Raleigh, 1863) 28. Verbal Message 71 – 72. Yates 70. Treasurer and Comptroller Records, Military Papers, Box 95, State Cotton Accounts, North Carolina State Archives, Raleigh, North Carolina.

of a treaty of peace between the present belligerents,” the certificate could be exchanged for a North Carolina State Bond, bearing interest at eight percent per annum.<sup>116</sup>

John White left Charleston, South Carolina, on November 15, 1862, traveling to London to market the warrants and purchase supplies and a vessel with the legislative funding. Arriving in London on January 5, 1863, White met with considerable difficulties in marketing the warrants until May of 1863. He made no secret about the reason for this difficulty. “It proceeded from a request on the part of the Honorable J. M. Mason the Commissioner of the Confederate States at London, not to put the Bonds in market at an earlier period, because in his opinion, the putting them in market sooner than that time would interfere with the sale of the Confederate Cotton Bonds then being brought out.”<sup>117</sup>

White used the time to secure advantageous marketing terms for North Carolina. He first attempted to engage the merchant banking firm of Erlanger Company to market the warrants.<sup>118</sup> Erlanger, however, heady from their apparent success of Cotton Bond sales for the Confederate States, demanded a higher rate of commission than White felt was advisable. In an act that would have far reaching consequences, White then turned to the merchant banking firm of Alexander Collie & Company of London and Manchester for help in marketing the warrants. Collie & Company agreed to sell the warrants for “5 percent commissions, with the understanding that I [White] was to pay the Solicitors fees and Bank commissions.” Collie & Company also agreed to act as North Carolina’s agent

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<sup>116</sup> Treasurer and Comptroller Records, Military Papers, Box 93, “State of North Carolina Cotton Certificates,” North Carolina State Archives, Raleigh, North Carolina.

<sup>117</sup> Report of John White.

<sup>118</sup> The merchant banking house is famed for the so-called Erlanger Loan, a massive cotton based loan for the Confederate States. See, Judith Fenner Gentry, “A Confederate Success in Europe, the Erlanger Loan.” *The Journal of Southern History* 36 (May 1970): 157 – 188, for a fuller discussion.

in purchasing and shipping goods.<sup>119</sup> White considered the Collie deal “at least 12 ½ perct. Better for the State, than the terms made by the Govt. at Richmond with Mess. Erlanger & Co.”<sup>120</sup>

In May of 1863, Collie & Company marketed the warrants and sold £99,900 worth. This equity, in turn, was used as leverage to float a loan from Collie & Company. Utilizing £35,000 of the proceeds, White purchased North Carolina’s first blockade running steamship vessel, the *Lord Clyde*. She was renamed the *Advance* and immediately refitted for trans-Atlantic crossings. With the remainder of the loan proceeds, White purchased approximately two hundred and fifty tons of assorted war supplies. These included over 273,000 yards of gray cloth and flannel, 25,887 pairs of gray blankets, 37,092 pairs of woolen socks, 26,096 pairs of army shoes, 530 pairs of cavalry boots, almost 10,000 shirts, and large quantities of cotton and wool cards necessary for clothing manufacturing. One-half of this vital cargo was immediately loaded on the *Advance* and, under the command of Colonel Thomas Morrow Crossan, it sailed for Wilmington, North Carolina.<sup>121</sup>

Even before all these goods had been shipped to Wilmington, Governor Vance was reconsidering the operation under the mistaken impression that “...the war is evidently nearing its close. The resources of our state and the Confederacy have developed in such a degree that we have every assurance of being able to clothe our troops with our own goods, and our vast amount of captures has given us an abundance

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<sup>119</sup> Report of John White.

<sup>120</sup> White to Zebulon B. Vance, May 20, 1863, Joe A. Mobley, ed., *The Papers of Zebulon Baird Vance, 1863*, Vol. 2. (Raleigh, N.C.: Division of Archives and History, North Carolina Department of Cultural Resources, 1995) 161.

<sup>121</sup> Report of John White. White to Zebulon B. Vance, May 20, 1863, Mobley 161.

of arms.”<sup>122</sup> On September 3, 1863, Governor Vance continued to vacillate about shutting down North Carolina’s blockade running operation. In corresponding with White, Governor Vance concluded that:

The blockade running is becoming more and more perilous, & should Charleston fall soon the business will be about closed – In /view/ of this danger, you are instructed to make no more purchases of goods for the present – The amount received and now at Bermuda – with home supplies – will keep our troops well agoing for twelve months and of course it is not desirable to have goods on hand which we can not ship.<sup>123</sup>

Unfortunately, White did not receive these instructions until October 26, 1863. In the interim, White had continued to purchase large quantities of war materiel for shipment. Some had been shipped, while others were still being manufactured. There was little that could be done to reverse the purchases at that point. John White had given thought to Governor Vance’s concern about an abundance of goods and no ability to ship them. On October 1, 1863, White received correspondence from Alexander Collie & Company, "being desirous of aiding in every way . . . the Government of your State in its present struggle," proposing the following:

First--To furnish with as little delay as possible four steamers of the most suitable description for blockade running, in each of which your State will own one fourth interest, the other three fourths being held by myself and friends.

Second--To give up to the Government of your State when required, the entire inward carrying power of said steamers from the Islands to the Confederacy at a modest rate to be fixed hereafter.

Third--That the Government of your State be entitled to one fourth space of the outward carrying power of each steamer, for cotton or other produce; and this arrangement will I estimate yield to your

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<sup>122</sup> Vance to John White, July 10, 1863, Mobley 209 – 210.

<sup>123</sup> Vance to John White, September 3, 1863, Mobley 257 – 258.

State funds sufficient to pay cost and all charges on inward cargo, cost of its share of outward cargo and (if cotton of good quality be sent out) a very large surplus will be left at the credit of your State on each trip.<sup>124</sup>

Recognizing an immediate solution to North Carolina's shipping dilemma, White accepted the proposal, subject to the *caveat* that Governor Vance would need to approve it.<sup>125</sup> Upon receiving the proposal in early December of 1863, Governor Vance quickly seized the opportunity presented and abandoned his plan to take North Carolina out of the blockade running business. Given the previous success of blockade running, the ability to acquire a one-quarter interest in two blockade running steamships (the *Hansa* and the *Don*) already plying the Bermuda to Wilmington run was irresistible to Governor Vance. The North Carolina General Assembly agreed with Governor Vance. On December 12, 1863, they authorized North Carolina to enter into a partnership agreement with Alexander Collie & Company to purchase a one-fourth interest in four steamers.<sup>126</sup>

The State purchased quarter interests in the *Don*, the *Hansa*, and the *Anna*. Shortly before this purchase, Governor Vance had sold a half-interest in the *Advance* for \$350,000 after the steamer had made five roundtrips.<sup>127</sup> Although the *Don* was captured in the spring of 1864, the other vessels plied the ocean between the West Indies, Nassau, Bermuda and Wilmington on a monthly basis, delivering vast quantities of clothing and

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<sup>124</sup> A. Collie to White, October 1, 1863, Governors' Papers, Zebulon B. Vance, Correspondence, Box 8, October, 1863 – December, 1864.

<sup>125</sup> White to Vance, October 31, 1863, Mobley 312 – 313.

<sup>126</sup> North Carolina, General Assembly, *Acts and Resolutions of the General Assembly of the State of North Carolina, Passed in Secret Session*, "Resolution Authorizing the Governor of the State to Unite with Alexander Collie and Company in Purchase of Vessels," Secret Session, 1865 (Raleigh, North Carolina, 1865) 74 – 75..

<sup>127</sup> Vance to Hale, February 11, 1864, E. J. Hale Papers, Private Collection, Vol. III, 1863-1867, North Carolina State Archives, Raleigh, North Carolina.

military supplies and returning bales of cotton.<sup>128</sup> Governor Vance was ecstatic, and to his friend E. J. Hale he confided:

I shall be able to show the most brilliant financial operation ever performed in the State. In addition to the enormous quantity of army supplies brought in I have already about \$400,000 to the credit of the State in the Bank of England.... I have already sent £1200 Sterling to our Northern prisoners to buy winter clothing – Have loaned Gen Johnson & Longstreet 10,000 suits of clothing, complete. I have now on hand 14,000 pairs of English shoes 24,000 English blankets & 5,000 over coats & some 60,000 suits of ready made clothing – But I will stop blowing.... My English correspondent writes me that...N. C. warrants command a premium! What do you think of that?<sup>129</sup>

The Confederate government intruded upon North Carolina's blockade running operations in the fall of 1863. The Confederate government passed a regulation requiring that one-third of all cargo space in all private vessels be turned over to the Confederacy, with a commensurate cargo lease payment that was reasonable (at least in the Confederate view). The Confederate government went even further in the spring of 1864, commandeering one-half of all cargo space.<sup>130</sup>

Governor Vance and Collie & Company took the position that North Carolina's one-fourth interest in the *Don*, the *Hansa*, and the *Anna*, along with the one-half interest in the *Advance* exempted those vessels from the regulation. Governor Vance complained bitterly to Secretary of War James A. Seddon, “[i]t is a little remarkable to me that the entire importing operations of this State, which have been so successful and so beneficial to the cause, seems to have met with little else than downright opposition rather than

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<sup>128</sup> Yates 74 – 75.

<sup>129</sup> Vance to Hale, February 11, 1864, E. J. Hale Papers, Private Collection, Vol. III, 1863-1867, North Carolina State Archives, Raleigh, North Carolina.

<sup>130</sup> Official regulations to carry into effect the act “to impose regulations upon the foreign commerce of the Confederate States to provide for the public defense,” March 5, 1864, *War of the Rebellion: The Official Records of the Union and Confederate Armies* (Washington: Government Printing Office, 1889 – 1901), Series IV, Vol. III, 187 – 189, hereinafter referred to as *O.R.A.*

encouragement from the Confederate Government.”<sup>131</sup> The Confederate government vehemently disagreed with Vance’s asserted exemption. An acrimonious correspondence ensued between Governor Vance and various officials in the Confederate cabinet, culminating with the involvement of President Jefferson Davis. In an acerbic letter, Governor Vance outlined North Carolina’s objections to the new regulations,

Now that the Confederate Government has no ships, little money abroad, and inflexible terms which will drive the fleet now so usefully employed in evading the blockade away and prevent others from entering the trade, it is more than ever necessary for this State to continue to relieve her troops and people by persisting in her own enterprises. While it would be a grateful relief to the Government of this State from responsibility and risk to discontinue the trade and leave a monopoly of Government commerce in the hands of the Confederate Government the evident operation and tendency of the regulations to diminish commerce would make a cessation of the State's enterprise more severely felt and complained of by her troops and people now than ever before.<sup>132</sup>

In caustic response, President Davis admonished Governor Vance that the regulations, “...do not operate upon a State’s right of exportation. But exemption from their operation was not given, and under the law could not be given, to vessels owned in part by a State, nor to individuals shipping in such vessels.”<sup>133</sup>

The entire exchange, although fascinating from a state’s rights perspective, was made moot by subsequent events. The blockade runner *Advance* was captured on September 10, 1864, by the Union blockade warship *Sandiego de Cuba*. She was lost due to loading on board a quantity of bad coal, which “...would not enable her to make

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<sup>131</sup> Vance to James A. Seddon, January 7, 1864, *O.R.A.*, Series IV, Vol. III, 10 – 11.

<sup>132</sup> Vance to Jefferson Davis, March 17, 1864, *O.R.A.*, Series I, Vol. LI, 838.

<sup>133</sup> Davis to Zebulon B. Vance, March 26, 1864, Lynda Lasswell Crist, ed., *The Papers of Jefferson Davis*. Vol. 10 (Baton Rouge, La.: Louisiana State University Press, 1999) 299 – 300.

her usual speed.”<sup>134</sup> As noted previously, the capture of Fort Fisher on January 15, 1865, closed the port of Wilmington, effectively ending any further blockade runner operations and the State’s involvement in such schemes.

Although extant records may never allow a definitive answer to whether North Carolina’s blockade running operation played a significant role in reducing the state’s wartime financial costs and securing otherwise unattainable necessary military supplies, there is sufficient evidence to strongly support this conclusion.

In an 1885 speech in Baltimore, former Governor Vance gave a summary of North Carolina blockade running accomplishments:

By the general industry and thrift of our people, and by the use of a number of blockade-running steamers, carrying out cotton and bringing in supplies from Europe, I had collected and distributed from time to time as near as could be gathered from the records of the Quartermaster’s Department, the following stores: Large quantities of machinery supplies; 60,000 pairs of hand cards; 10,000 grain scythes; 200 barrels of bluestone for wheat-growers; leather and shoes to 250,000 pairs; 50,000 blankets; gray-worsted clothe for at least 250,000 suits of uniforms; 12,000 overcoats, ready-made; 2,000 best Enfield rifles, with 100 rounds of fixed ammunition; 100,000 pounds of bacon; 500 sacks of coffee for hospital use; \$50,000 worth of medicines at gold prices; large quantities of lubricating oils, besides minor supplies of various kinds for the charitable institutions of the State. Not only was the supply of shoes, blankets and clothing more than sufficient for the supply of the North Carolina trips, but large quantities were turned over to the Confederate government for the troops of other States....To make good the warrant on which these purchases had been made abroad, the State purchased and had on hand in trust for the holders 11,000 bales of cotton and 100,000 barrels of rosin.<sup>135</sup>

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<sup>134</sup> Flanner to Zebulon B. Vance, September 30, 1864, Zebulon B. Vance Papers, Private Collection, 1853 - 1869, North Carolina State Archives, Raleigh, North Carolina.

<sup>135</sup> Speech before the Association of the Maryland Line, 1885 quoted in Clement Dowd, *Life of Zebulon B. Vance*, (Charlotte, N. C.: Observer and Publishing House, 1897) 70 – 71.

Even allowing for exaggeration due to the passage of time and Governor Vance's desire to justify the operation, these statistics indicate that the operation made a significant contribution to North Carolina's wartime supply effort. Further, an admittedly incomplete examination of Bermuda shipping records for the North Carolina blockade runners *Advance* and *Hansa*, from August 1863 through July 1864 list shipments totaling 4,545 tons of goods sent to Wilmington. Shipping instructions and cargo manifests lend credence to Governor Vance's assertions. "Please Load the '*Advance*' with 500 Pigs Lead ...25 Tons... Light Freight... 25 Tons... for the latter you may send whatever comes nearest to hand – say Cartridge paper, nummahs, bales of Blankets, &c."<sup>136</sup> Cargo manifests show "100 boxes tin; 50 boxes cartridges; 400 pigs lead; 122 packages dry goods, 250 bags coffee, 35 casks oil; 100 boxes tin plate; 85 bundles leather, 125 bales blankets; 97 cases general manufactured merchandise; 30 bales leather; 13 bales cloth; 15 cases paper; 5 cases caps; 102 pigs lead; 14 coils rope; 108 pigs lead; 3 hogsheads sugar; 50 coils rope..." along with hundreds and hundreds of cases of "general" (unspecified) merchandise.<sup>137</sup>

The financial aspects of North Carolina's blockade running operation are more difficult to draw conclusions about, due to the paucity of financial records. As Treasurer Worth lamented,

Much of the legislation of the State, essentially affecting our Finances, has been secret. This has crippled my ability to make a comprehensive and clear exhibition of our real and prospective condition. The legislation under which the Executive has bought the *Advance* and perhaps other ships – by which he is conducting an immense mercantile operation – buying, importing and selling, not merely clothing for our troops and

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<sup>136</sup> Major Smith Stansbury [commander of the St. George's Confederate ordnance depot] to John T. Bourne [Confederate Commercial Agent for Bermuda] August 11, 1863 in Vandiver 82.

<sup>137</sup> Vandiver 116, 121, 124, 126 and 128

munitions of war but sperm oil, tin, liquor and assorted merchandise – the means by which he raises specie in Europe by which to make these purchases – at what prices sold and in what media paid for – are a sealed book, not only to the public, but to the chief financial officer of the State.<sup>138</sup>

Worth's assertion of lack of information is borne out by an examination of the State Treasurer's records for this time period. No accountings of the venture beyond disbursements for original legislative mandated costs exist in the records.<sup>139</sup> Yet partial records for 1864 North Carolina cotton sales overseas demonstrate that cotton shipped on the *Advance* made a significant financial contribution to overseas funds available for purchase of wartime goods. A six-month sales accounting for only the *Advance* shipments of cotton shows a net credit to the State of North Carolina of £9,163.<sup>140</sup>

Significantly, Governor Vance in his 1863 annual message proposed using the earnings from the *Advance* to help buy food to feed the poor “without taxing the people a dollar.” He noted that “[t]he enterprise of running the blockade and importing army supplies from abroad has proven a most *complete success*....Two thousand and ten bales of cotton have been sent to Liverpool, the proceeds of which are deposited to the credit of the State, less the amount of expenses of the vessel.”<sup>141</sup> As historian Frontis Johnston noted, whether North Carolina suffered financially from blockade running as Worth asserted, is irrelevant, “...because the purpose of the operations was not profits but

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<sup>138</sup> Worth to W. J. Yates, December 25, 1863 in Hamilton 275 – 276.

<sup>139</sup> Treasurer and Comptroller Records, Military Papers, Box 95, “Disbursements for Advance,” North Carolina State Archives, Raleigh, North Carolina.

<sup>140</sup> Treasurer and Comptroller Records, Military Papers, Box 95, “1864 Account of Sales of Cotton,” North Carolina State Archives, Raleigh, North Carolina.

<sup>141</sup> Zebulon B. Vance, *Governor's Message. November 23, 1863*. Raleigh, N.C.: W. W. Holden, 1863. Available online, *Documenting the American South*, University of North Carolina at Chapel Hill, <http://docsouth.unc.edu/imls/governor/governor.html>

produce, not balances but blankets. A State which is fighting for its life can afford to lose money, largely worthless anyway, if it gets the supplies.”<sup>142</sup>

John White’s successful marketing of the cotton warrants, the proceeds of which were utilized to purchase wartime goods, coupled with clear circumstantial evidence of significant hard currency proceeds from cotton sales resulting directly from shipment on North Carolina’s vessels, indicate that the blockade running operation played a significant role in reducing the state’s financial wartime costs by shifting the purchases of necessary military supplies directly to British suppliers. Since British pounds were available from cotton sales, purchases could be made directly from British merchants and then shipped back to North Carolina aboard state owned vessels, without paying an intermediary. The Confederacy by contrast, had to pay a blockade runner a premium for both buying and transporting the military supplies. Payment to the blockade runners was either in rapidly depreciating Confederate currency, requiring ever increasing amounts, or in scarce specie.

Without the shipment of cotton aboard North Carolina’s vessels, or at the very least the demonstrated ability to do so, it is doubtful that European investors would have had the confidence to purchase North Carolina cotton or its warrants, thereby increasing the financial burden to the state. Under the leadership of Governor Vance, North Carolina’s actions were smart and successful. North Carolina’s success in procuring overseas funding and military supplies stands in stark contrast to the Confederacy’s inept and disjointed attempts to fund the war effort and supply the army.

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<sup>142</sup> Johnston Vol. I, liv.

In some respects, the financial success or failure to North Carolina regarding blockade running is not the main issue. Rather, the key to the entire blockade running operation for both the Confederacy and North Carolina was the relationship with the financial houses in Great Britain. In this case study, Alexander Collie and Company clearly demonstrated through actions and correspondence their cultural affinity for North Carolinians that in turn led to substantial financial relationships.

Both of these case studies indicate that “gentlemanly capitalism” did indeed drive business dealings between the South and the British. The repeated language, tone and level of trust exhibited by both sides clearly illustrate the cultural and financial ties that Cain and Hopkins suggest is necessary for the fruition of gentlemanly capitalism.

## CHAPTER FOUR

### CONCLUSION

This work has attempted to explore the culture of the South's ties into international finance by examining the South's financial relationships with British merchant banking and agricultural factoring houses, using the theory of “gentlemanly capitalism” put forward by Professors Cain and Hopkins.

The first portion of this analysis utilized primary source correspondence, diplomatic messages, political speeches, memoirs, and newspaper accounts to explore both Great Britain and the Confederacy's sense of place in the world structure at the commencement of hostilities. Although these perceptions changed as the vagaries of war presented some harsh realities, there is a sense of presumed order defining the relationship between the South and Great Britain. This sense of order was rooted in the structure of British financial domination in the world.

For example, there is evidence that illustrates the assumptions about proper relationships that shaped financial dealings – assumptions that the South would produce agricultural exports (cotton) for Great Britain, while Britain would supply finished manufactured goods to the South. This, of course, is the classic definition of British imperialism with the mother country providing the finished goods, while the colony or economic trading partner provides the raw materials and it is striking the degree to which Southern leaders eagerly anticipated such a relationship. But the argument about this relationship extends beyond this particular example. Implicit in the notion of gentlemanly capitalism was the shared cultural affinity between the South and Britain.

Through the second portion of analysis this cultural affinity and direct evidence of gentlemanly capitalism was found by examining the extant business records of Liverpool merchant banking houses Fraser Trenholm and Company and their activities as British bankers for the Confederacy combined with the business transactions of Alexander Collie & Company conducted with the State of North Carolina in blockade running.

This evidence provides "...representative examples on precisely how the allegedly powerful financial/fiscal capitalism of the City of London directly influenced overseas political, military and naval operations, the building of new colonies and the extensions of empire."<sup>143</sup> Certainly this work can be criticized for perhaps defining "gentlemanly capitalism" too broadly in terms of the individuals residing outside of London or being insufficiently British (in the case of Fraser, Trenholm & Company). However, as noted previously, the term of "gentlemanly capitalism" has been interpreted broadly by subsequent scholarship.

Being insufficiently British is a more difficult issue to address. Fraser, Trenholm was chosen as a case study because of their importance to the Confederacy, but also because of some records being available. Certainly they were not the only British firm to do business with the Confederacy. An estimated sixty-eight firms throughout Great Britain did. Further research is warranted on these firms to ascertain if sufficient records exist to support or refute this work's thesis.

They are:

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<sup>143</sup> Dumett, 11.

## British Firms that Conducted Business with the Confederacy<sup>144</sup>

### Belfast

B. & E. McHugh

### Birkenhead

Birkenhead Iron Works

Laird Brothers

### Birmingham

Firman & Sons

J. R. Grant & Son

Smith & Wright Ltd.

### Clydebank

John Brown & Co.

### Dumbarton

Denny Brothers

### Enfield

Royal Small Arms Factory

### Glasgow

Chamberlain & Co.

Clyde Bank Foundry

Patrick Henderson & Co.

James & George Thompson

### Kelvinhaugh

Alexander Stephen & Sons

### Leeds

Greenwood & Batley Ltd.

### Liverpool

Ashbridge & Co.

Blakely Ordnance Co.

Gordon Coleman & Co.

Collie, Westhead & Co.

Curry, Killoch & Co.

Cyclops Steel & Iron Works

Fawcett, Preston & Co.

Fletcher, Hall & Stone

George Forrester & Co.

### Liverpool (Cont'd)

Edward Lawrence & Co.

Leech, Harrisoh & Forwood

Low Moor Iron Works

William C. Miller & Son.

Old Tug Co

J. Stewart Oxley & Co.

### London

Albion Trading Co.

Alexander Collie & Co.

De La Rue & Co.

Dudgeon Brothers

Emile Erlanger & Co.

Galway Co.

John K. Gilliat & Co.

Overed Guerney & Co.

T. & C. Hood

Issac, Campbell & Co.

John Lane, Hankey & Co.

W. S. Lindsay & Co.

London Armoury Co.

Zachariah C. Pearson & Co.

Railway Carriage Makers Railway Works

Robinson & Cottum

J. Henry Schroder & Co.

S. Straker & Sons

William & Co.

Charles William & F. Wentworth & Co.

### Manchester

Lomnitz & Co.

Manchester Ordnance & Rifle Co.

Joseph Whitworth & Co.

### Newcastle-Upon-Tyne

W. G. Armstrong & Co.

Elswick Ordnance Works

### Northampton

Turner Bros. Hyde & Co.

### Sheffield

William Butcher Jr. & Co.

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<sup>144</sup> Lester, Appendix XI.

The importance of this work lies in the conclusion that suggests a vision of the Confederacy and South apart from what the United States might have been or in fact became. This is not counterfactual history, but rather an alternative view of a world dominated by British capitalism. That world encompassed factors beyond strictly economic ones. How society was organized, the role of free trade and who participated were also important considerations. The British had a cultural affinity for Southerners. The case studies show that gentlemanly capitalism developed from this initial cultural relationship.

The British “socio-political ruling elite” the amalgam of which controlled the financial services sector were the “gentlemanly capitalists.” Professors Cain and Hopkins contend that this group laid the foundation and provided the primary forces behind imperialism. Because of this recent scholarship, there is a gap in the literature of Confederate finance reviewed earlier. Preceding scholarship focused on the economic transactions themselves, with scant attention paid to motivations, cultural issues and the larger picture of world order. This work attempts to bridge some of this gap.

The correspondences between various parties analyzed in English and Southern opinion provide glimpses of British gentlemanly capitalists and their actions. Countless references to culture, class, like-minded outlooks and the desire to fit both the South and Britain together in a formal relationship throughout the business dealings of Fraser, Trenholm and Alexander Collie and their recipients in the South serve as the foundations for gentlemanly capitalism to build upon.

From a British perspective, the South was the outside rim of the current imperial structure – a geographic region that was not yet part of the political and economic British imperial sphere of influence. The political and commercial interaction by the South in this region bears on how this geographic region and its inhabitants are dealt with by the British. Therefore, how the South presented itself and reacted to British actions are the analytical tool for this portion. The South was trying to find its fit in the world order and felt comfortable in the quintessential British imperial mercantile mold. For its part, Great Britain needed raw materials and a sales outlet for their manufactured goods. Evidence abounds illustrating that Southern leaders eagerly anticipated such a relationship.

Business practices rely on a certain culture separate from the rest of society. Companies such as Alexander Collie and Company and Fraser Trenholm admittedly act out of their own economic self-interest. There may be insufficient evidence for a definitive understanding of cultural ties and gentlemanly capitalism during the Civil War. However, this work’s analysis contains a large number of suggestive elements to support gentlemanly capitalism. There was a bond between the political and business individuals of the Confederacy with the ruling elite of Britain, politicians and businessmen, the “gentlemanly capitalists” that resulted from Britain’s interest in expanding her economic imperialism to the southern United States. Southern leadership was anxious to embrace Britain’s post war view of the Confederacy’s place in the world order. During the war, British gentlemanly capitalists supported and conducted business with the Confederacy because of their cultural affinity, long term free market view and vision for a post war United States with the South firmly ensconced within the British imperial sphere.<sup>145</sup>

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<sup>145</sup> Dumett, 4 – 6.

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