

“One-eighth of the whole population were colored slaves, not distributed generally over the Union, but localized in the southern part of it. These slaves constituted a peculiar and powerful interest. All knew that this interest was somehow the cause of the war.”¹

Abraham Lincoln, Second Inaugural Address, March 4th, 1865

“At the last session of Congress they brought in and passed through the House the most atrocious tariff bill that ever was enacted. ... The free trade abolitionists became protectionists; the non abolition protectionists became abolitionists. The result of this coalition was the infamous Morrill bill – the robber and the incendiary struck hands, and united in joint raid against the South.”²

Robert Toombs, Speech before the Georgia Legislature, November 1860

“The Southern States now stand in the same relation toward the Northern States, in the vital matter of taxation, that our ancestors stood toward the people of Great Britain. They ... are taxed by the people of the North for their benefit exactly as the people of Great Britain taxed our ancestors ... The people of the South have been taxed by duties on imports not for revenue, but for an object inconsistent with revenue – to promote, by prohibitions, Northern interests in the productions of their mines and manufactures.”³

The Address of the People of South Carolina, December 1860.

The debate over causes of the American Civil War continues a century and a half after the secession of the southern states. The most streamlined explanation was that the war came because the Federal government would not accept secession and the southern states seceded primarily to protect the institution of slavery. Two mutually exclusive positions made war inevitable. The people of the Deep South states refused to remain in the Union, and the people of the northern states refused to allow them to break up the Union. But this is a simplistic view. Neither the people of the southern states nor the northern states were monoliths. More importantly, the decision to go to war was centralized in a few hands, in the hands of the President of the United States, to be exact. What was the role of the tariff in the President's policy of refusing to allow peaceful secession?

The assertion that US tariff policy caused secession has a long legacy. The South Carolina convention, in its declaration of causes of secession, stated that the people of the southern states “are taxed by the people of the North for their benefit” but that “their representation in Congress is useless to protect them against unjust taxation.” Further, they said, “three-fourths of [the revenues] are expended at the North. This

¹ Edward MacPherson, *Political History of the United States of America during The Great Rebellion*, (Washington: Philip & Solomons, 1865), pg. 608.

² William W. Freehling and Craig M. Simpson, *Secession Debated: Georgia's Showdown in 1860*, (NY: Oxford University Press, 1992), pg. 37-38.

³ Kenneth Stampp, *The Causes of the Civil War*, (NY: Simon & Schuster, 1991), pg. 155.

cause ... has provincialized the cities of the South.”⁴ In 1868, Edward A Pollard, editor of the *Richmond Examiner*, wrote that the tariff was a means of “Northern aggrandizement,” to assist the northern states at the expense of the southern.⁵ More recently and more controversially, Charles Adams 2000 book, *When in the Course of Human Events*, presents an argument that tariffs were the primary motivator of southern secession. “What were the causes of the Southern independence movement in 1860? ... Northern commercial and manufacturing interests had forced through Congress taxes that oppressed Southern planters and made Northern manufacturers rich ... the South paid about three-quarters of all federal taxes, most of which were spent in the North.”⁶ Another controversial figure, Thomas DiLorenzo also was written extensively on the topic of tariffs and the coming of the war.⁷

Of course the contrary position has a long and venerable tradition as well. As noted above, President Lincoln’s second inaugural lays the causing of the war at the doorstep of slavery. This has become Unionist orthodoxy ever since. In 1912, James Ford Rhodes delivered a series of lecture which explored the causes of the war. According to Rhodes, tariffs were “an unimportant issue.”⁸ James McPherson, in a brief article in *North and South Magazine*, examined DiLorenzo’s thesis and presented some analysis to refute it. According to McPherson, white southerners represented around 28% of the white population of the United States, and therefore paid 30% of the tariff revenues, putting the lie to the common assertion that southerners paid the majority of the tariff revenues before the war.⁹

Two comments on McPherson’s analysis are in order. First, slaves consumed imported items such as woven cloth and iron farming implements, for which slave **owners** had to pay taxes, so discounting the slave population skews the numbers. Second, import duties raised the prices of domestically-produced goods, as American consumers switched from imported items to American-made ones. This increase in northern profits is not reflected on any government ledger, but it was certainly felt by

⁴ “The Address of the People of South Carolina,” *Journal of the Convention of the People of South Carolina*, (Columbia: R. W. Gibbes, 1862), pg. 469.

⁵ Edward A. Pollard, *The Lost Cause*, (NY: E. B. Treat & Co, 1868), pg. 61-62. Other means “tribute the “North exacted from the South” were listed by Pollard: “tariffs, pensions, fishing bounties, [and] tonnage duties.”

⁶ Charles Adams, *For Good and Evil: The Impact of Taxes on the Course of Civilization*, 1993, pp. 325-327. There are sound reasons to dispute Adams’ conclusion on this point, as will be seen hereafter.

⁷ Thomas DiLorenzo, *The Real Lincoln, and Lincoln Unmasked*.

⁸ James Ford Rhodes, *Lectures on the American Civil War*, (NY: MacMillan, 1913), pg. 83.

⁹ James McPherson, *North & South*, January 2004, pg. 52.

consumers. Finally and most importantly, Federal revenues (raised overwhelmingly through tariffs on imported goods in 1860) were seen by men on **both sides** of the Mason-Dixon as a wealth transfer from the people of the south to those of the north.¹⁰

Before proceeding to the examination of the tariff issue as a source of northern anti-secession, the reader must understand two concepts: multiplicity of causes and asymmetry. It is entirely possible for a particular person to support a policy for multiple reasons. For example, a University of Illinois undergraduate, Devon Largio, found twenty-seven reasons put forth by Bush Administration for going to war in Iraq.¹¹ In the case of 1860, it is possible that policy-makers can support one particular policy for multiple reasons. Indeed, as will be seen hereafter, President Lincoln could oppose peaceable secession because it undermined the world's faith in democratic self-government, **and** because it was bad for business leaders in New York City.¹² There is nothing inevitably contradictory between these two rationales.

The second concept which must be remembered is that of asymmetry. It is possible for a policy to be beneficial for one side in a conflict or competition and have no adverse effect on the other. Likewise, it is possible for a policy to be devastating to one side and not beneficial to the other. For example, universal and uncompensated emancipation would have cost white southern slaveowners something like \$3 billion, but would not have benefited northerners at all, at least not financially. It will be important to keep these two concepts in mind in the analysis that follows.

The revenues of the United States relied heavily on tariffs before the Civil War. The issue of how high tariffs were going to be set and on what items had almost brought Americans to blows in 1832-33. A South Carolina convention had declared the tariff to be not a revenue tariff, but a protective tariff, and therefore "unauthorized by the constitution of the United States."¹³ The South Carolina Convention had passed an ordinance of nullification, making it impossible for the tariff to be collected.¹⁴ Congress

¹⁰ Including, as will be seen hereafter, by President Lincoln. A quick survey of the editorial pages of the influential *Charleston Mercury* from the year 1860 will show that some white southerners believed that Federal policy transferred money from the southern to northern states. For northern belief, see *Southern Wealth Northern Profits* (1860) by New Yorker Thomas P. Kettell.

¹¹ http://74.125.155.132/scholar?q=cache:kmQkukWaGhMJ:scholar.google.com/&hl=en&as_sdt=80000000000000, accessed 7 June 2010.

¹² Lincoln made the former argument in the Gettysburg Address. Philip Foner made the latter argument in his book, *Business & Slavery: The New York Merchants & the Irrepressible Conflict*, (Chapel Hill: UNC Press, 1968).

¹³ William MacDonald, *Select Documents Illustrative of the History of the United States, 1776-1861*, (NY: MacMillan, 1920), pg. 269.

¹⁴ *Ibid.* pg. 270.

backed down and, over the period 1833-1842, lowered tariff rates.¹⁵ The Whigs won control of both houses of Congress in 1841. They used their majority to raise tariff rates again, a major plank in the Whigs' "American System."

Democrats took control of Congress in 1846 and proceeded to drop tariff rates with the Walker Tariff of 1846. Democrats reduced tariff rates further in 1857.¹⁶ The Panic of 1857 caused a down-turn in the economy, reducing Federal tariff revenues, and handing the Republicans an opportunity to agitate for an increase in tariff rates. Justin Morrill of Vermont proposed an increase in tariff rates in May 1860. It also substituted, in some cases, specific duties for ad valorem duties of the tariff of 1857. This was an attempt to prevent importers from cheating by undervaluing merchandise. An unscrupulous importer could deliberately undervalue his merchandise, and thus reduce his tax on that merchandise. Specific duties also had the benefit of making it more difficult to compare the tariffs under the 1857 law and the Morrill bill.

The bill languished in the Senate that summer, but did achieve one of its purposes. The Morrill Tariff was designed to hold New England and New York in the Republican camp, and to win Pennsylvania over to the Republicans in the Presidential election of 1860. By this yardstick, the bill worked. The Republicans retained New England and won Pennsylvania in the fall of 1860. After the southern senators left the Senate in December 1860-January 1861, the bill passed the Senate and, on 2 March, 1860, President Buchanan signed the bill into law.

During the antebellum period, the two major parties struggled to define United States economic policy, and caused many Americans to believe that the northern states were economically exploiting the southern states. This struggle centered on some salient policy levers. The first was the tariff itself. Generally, Whigs favored higher tariffs which would afford protection to American infant industries, by protecting them from competition from European, especially English, industries which were more mature and their products cheaper. Democrats generally favored lower tariffs.¹⁷ Second issue was the sale of land. The second largest source of Federal revenue in the fiscal year 1859-

¹⁵ The most significant drops were to take effect after 1840. The reductions between 1834-1840 were modest. Frank Taussig, *Tariff History of the United States*, (NY: G. P. Putnam & Sons, 1914), vol. 1, pg. 111.

¹⁶ Taussig, pg. 115.

¹⁷ There were exceptions to this general trend. In the summer of 1860, the defection of northern Democrats from the low tariff plank of the Democratic Party further reinforced secessionists' arguments in favor leaving the Union.

1860 was land sales.¹⁸ The Republican “free land” policy (giving Federally-owned land to settlers in the west at a nominal fee) would reduce Federal revenues and provide an excuse to increase tariff rates, in order to make up for the revenue lost. Two other economic policies that would effect intersectional exploitation were the tonnage acts and the navigation acts. These two acts charged duties on ships based on who owned them and where they were built. American-made, American-owned ships paid \$.06/ton, foreign-owned, foreign-made ships paid \$.50.¹⁹ Further, the Congress passed a law making it illegal for foreign-owned ships to carry cargoes from one port in the United States to another port in the United States.²⁰ Both of these two acts favored American (mainly northern) ship-builders and ship-owners.

One final act merits exploration, since it did explain why United States’ revenues were collected by and large in New York. The Warehousing Act of 1846 enabled international commerce, and the general provisions of the act were based on a similar law in Great Britain. Before the Warehousing Act, an importer bringing a cargo paid the tariff to the customs officer on arrival. This required the ship captain to sail with enough currency to pay the tariff. The Warehousing Act of 1846 allowed the importer to place his cargo in a bonded warehouse for up to a year while he found a purchaser for his cargo. Once he had sold the cargo, and taken his payment (in whole or in part), the importer could return to the warehouse, pay the duty and get his cargo out of the warehouse. This greatly facilitated importation. It also leveraged the existing banking system in New York, by allowing merchants to transact business by checks, rather than sending cash. The effect of the Warehousing Act was to turn New York from being a large importing center, into the nation’s largest, regardless of where the eventual consumers were. By 1858-59, 77.4% of tariff revenues were collected in New York, despite the fact that the eventual consumers were spread all over the nation.²¹

One northern writer in the late antebellum period noted the economic relationship between the southern states and the northern ones. Thomas Prentice Kettell was a political economist and magazine editor from New York City. In 1860, Kettell wrote the

¹⁸ In FY 1859-1860, tariffs provided 95%, land sales 5%. See *NY Times*, 5 December 1860, pg. 2.

¹⁹ Act of 20 July 1789, *US Statues at Large*, vol. 1, pg. 27.

²⁰ Act of 1 March 1817, *US Statues at Large*, vol. 3, pg. 351. The penalty was the forfeiture of both ship and cargo.

²¹ Stephen R. Wise, *Lifeline of the Confederacy*, (Columbia: University of South Carolina Press, 1988), pg. 228. The percentages in for the three largest importing centers were NY (77.4%), Boston (11.3%), Philadelphia (4.9%), Total for the three largest ports (all in the northeast): 93.6%.

book *Southern Wealth and Northern Profits*, in which he attempted to show that both sections needed each other to prosper. He particularly oriented his arguments toward northern abolitionists, whom he feared might kill the Union that was benefiting the north, and New York City in particular, by estranging the southern states. In his book, Kettell published a table showing how much the northern states made from their relationship with the southern:

Table 1: Data from Southern Wealth and Northern Profits

Bounties to fisheries, per annum	\$1,500,000
Customs, per annum, disbursed at the North	40,000,000
Profits of Manufacturers	30,000,000
“ Importers	16,000,000
“ Shipping, imports and exports	40,000,000
“ on Travelers	60,000,000
“ of Teachers, and others, at the South, sent North	5,000,000
“ Agents, brokers, commissions,	10,000,000
Capital drawn from the South	30,000,000
Total from these sources	\$231,500,000

Kettell followed this table with the following:

“This is an approximation of the annual load which Southern industry is required to carry, and the means of paying it depends upon black labor. The heavy drain of capital thus created prevents an accumulation at the South, and promotes it as effectively at the North, where every such accumulation only accelerates the drain.”²²

Presumably if the southern states were to secede, the northern states would cease to gain this money from the relationship. Preventing the ending of this relationship by awakening his fellow northerners to the dangers of further anti-slavery agitation was why Kettell wrote the book.

One can easily find fault with Kettell’s data. For example, “Customs” are not “disbursed at the North,” but were a source of Federal revenues. Where the Federal government *spent* those revenues was a separate question. In addition, \$60 million spent by southern travelers in northern states is difficult to prove, and is likely too high of a figure. Regardless, Kettell argued that the northern states made \$231 million per year from their relationship with the south. Most importantly, it would seem that Kettell’s argument was accepted in both the north and the south. One South Carolina author

²² Thomas Prentice Kettell, *Southern Wealth and Northern Profits*, (NY: George W. & John A. Wood, 186-), pg. 127.

using the initials “I. Z. M.” cited Kettell’s work in a letter to the *Charleston Mercury* in August 1860.²³ J. D. B. DeBow, in his monthly magazine *Debow’s Review*, pointed to Kettell’s analysis as well.²⁴ *Charleston Mercury* editorial, just prior to secession in December 1860, quoted Kettell’s \$231.5 million figure, attempting to show that remaining in the Union would continue to drain that amount out of southerners’ banks.²⁵ Even those skeptical of Kettell’s analysis might have been prompted to “calculate the value of the Union.”²⁶

One southern radical secessionist asked northerners to do exactly that in the fall before the 1860 elections. William Lowndes Yancey of Alabama, undertook a speaking tour of both northern and southern states in the late summer and fall of 1860, urging northerners to repudiate the Republican party and save the Union. In a speech in Washington DC in September 1860, Yancey spoke directly to the people of New York City, describing what would be the consequences of a Republican victory in November. If, Yancey said, the North did not repudiate Republicans and uphold this Union, but permitted it to be destroyed through the election of a Republican President, the South would secede. Then, Yancey said,

The South intends to make her Baltimore, her Norfolk, her Charleston, her Savannah, her Pensacola, her Mobile, and her New Orleans, her marts. Rivals, not rivals merely, but **substitutes for New York, will rise up all along the southern border.** Three hundred and sixteen millions of exports in the last year were all given to New York and New England commerce, the coasting and shipping and foreign trade of the North, and interchanges usually make that right. \$250,000,000 of this amount were the sole results of southern industry. This \$250,000,000 a year can make commerce at other ports than New York. Let New York see to it my countrymen. If she loves her commerce and loves her palatial houses and princely merchants, let them see to it that the South, driven to the wall, does not make New Yorks of her Baltimore, Norfolk, Charleston, Savannah, and New Orleans, and **grass grow in the streets of New York.** We can do without her commercial facilities, but she cannot do without our agricultural labor. We can bring the shipping of the world to our ports, and make our own shipping to carry away 250 millions of the 316 millions. She cannot supply the 250 millions of our Southern labor, if ever she does permit that division to take place.²⁷

²³ *Charleston Mercury*, 21 August 1860, pg. 1, col. 2-4.

²⁴ James Dunwoody Brownson De Bow, *De Bow’s Review*, Volume 29, August 1860, pg. 211.

²⁵ *Charleston Mercury*, 15 December 1860, pg. 4, col. 1-4.

²⁶ The reader must accept the author’s apology for the anachronism. Thomas Cooper, in a speech in 1827, had argued that the time was coming when South Carolina must “calculate the value of the Union.” William W. Freehling, *The Road to Disunion*, vol. 2, pg. 257. Ever since that speech, men on both sides had been called to placing a value on southern states remaining in the Union, and the corollary, what would the secession of the southern states cost the north. Implicit in Cooper’s argument was the idea that when it was no longer beneficial, South Carolina might wish to withdraw.

²⁷ *Richmond Enquirer*, 25 September 1860, pg. 2, col. 4-6. Emphasis added.

Thus, Yancey urged northerners to save the Union by appealing to their self-interest. The election of a Republican would bring about the secession of the south and upset New York's supremacy as the business center of the country. Only northerners could prevent the election of Abraham Lincoln. If they did not, Yancey threatened dire economic consequences for the North.

As events played out, secession of the Deep South did bring about serious changes in the economics of the United States. One of the first changes was Louisiana's declaration of free navigation of the Mississippi.²⁸ This left the river open to non-belligerent powers in order to assuage fears of mid-Westerners, but did not change customs duties. The representatives of the seceded states assembled in Montgomery, Alabama to draft a plan for a southern confederacy and a constitution. One of the first things the delegates did was to declare that the laws in effect in the United States at the time of secession would remain in effect.²⁹ This meant the US tariff of 1857 was to remain in effect unless modified by the Confederate Congress. Tariff changes occurred in the United States around the same time. In the Congress of the United States, the withdrawal of the senators of the Deep South allowed Republicans to pass the Morrill tariff on 3 March 1861. The new tariff was to take effect on 1 April 1861.

Finally, and most importantly for the question at hand here was the transit of Confederate territory. On 15 March 1861, the Confederate Congress passed a bill authorizing duty free transit of Confederate States' territory for ships carrying cargo to foreign countries, which would include the United States as the Confederate saw it at that date.³⁰ Thus, around the same time, tariff rates were going up in the United States, remaining largely the same within the Confederate States, and were being eliminated entirely for merchants transiting Confederate States territory.

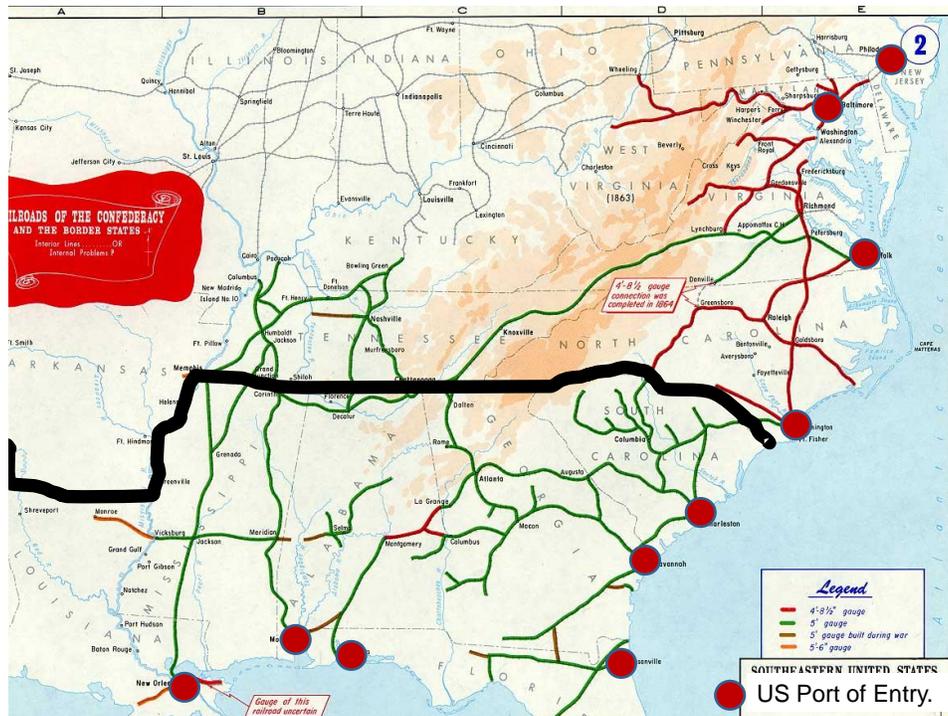
A review of the map of the United States as of 1 April 1861 will show the effects. The border between North and South Carolina had become a de facto international border. There were no longer any United States customs agents in Ports of Entry in the seceded states. They had all resigned or transferred to the Confederate customs

²⁸ *Journal of the Convention Louisiana 1861*, pg. 235. Free navigation of the Mississippi River was also adopted by the Confederate States Congress on 22 February 1861. *Journal of the Congress of the Confederate States of America*, Vol. I, (Washington: US GPO, 1904), pg. 76 and was signed into law 25 February 1861.

²⁹ Adopted 9 February 1861, *Journal of the Congress of the Confederate States of America*, Vol. I, (Washington: US GPO, 1904), pg. 41.

³⁰ *Journal of the Congress of the Confederate States of America*, Vol. I, (Washington: US GPO, 1904), pg. 146.

service. There were thirteen points at which wholesale transportation (i.e. rail or river means) crossed the international border. There were thousands of points at which small-scale transportations means (wagons) crossed the border, which would make smuggling easy to do and extremely difficult to suppress.



Two hypothetical scenarios will illustrate the effect of these changes in tariff laws in the spring of 1861.³¹ Imagine a merchant in Liverpool in April 1861 had one ton of bleached cotton cloth, worth \$.07/yard. Imagine further that the cloth consisted of more than 200 threads per inch, and weighed 4 oz. per yard or 8,000 yards per ton, worth \$560 total. If he wanted to sell this to a merchant in Richmond Virginia, he has two routes he could follow. He can follow the route used before the secession of the Deep South, and ship the cargo through New York, and then by rail to Richmond. The costs associated with this path are as follows. Shipping from Liverpool to New York would cost \$8.08.³² The duty under the new Morrill Tariff (3¢/yard) would amount to \$240, payable in New York. Rail transport of 341 miles from New York to Richmond at

³¹ Thomas C. Clarke performed a similar case study in the pages of *Hunt's Merchant's Magazine* in August 1856, comparing shipping Illinois wheat from Chicago to Liverpool via New York with shipping the same via Quebec. *Hunt's Merchant's Magazine*, August 1856, pg. 147-160.

³² Need a source for this.

2.2¢/ton-mile costs \$7.50.³³ The total cost of tariff and freight rates for the New York route would be \$255.58.

The costs of taking the same cargo through Charleston, South Carolina show the costs of the tariff law changes. Shipping to Charleston was slightly more expensive than to New York. The former route was shorter, the port facilities more robust, and economies of scale were possible. Still, shipping to Charleston would cost the Liverpool cotton merchant \$18.19. On arrival, the captain provides the Confederate Customs Agent a bill of lading showing that the cargo is bound for Richmond, and the cargo enters duty-free. Southern railroads were less efficient than their northern counterparts, so the freight rate for the 472 mile trip is 5¢/ton-mile, or \$23.60.³⁴ There were no US Customs agents along the South Carolina-North Carolina border in April 1861, so no US tariff is collected. The total cost of tariff and freight rates for the Charleston route would be \$41.79. Thus, a merchant in Liverpool could save \$213.79 by shipping his cargo through Charleston, and circumventing the US tariff.

Table 2: Shipping to Richmond

Impost under the tariff of 1857 (for comparison)	\$134.40	
Shipping to New York	\$8.08	
Under the Morrill Tariff, (3¢/yard) the tariff would be	\$240.00	
Shipping to Charleston		\$18.19
Impost under the Confederate Tariff Act of 1861		\$0
Rail transport to Richmond from NY (2.2¢/ton-mile @ 341 miles)	\$7.50	
Rail transport to Richmond from Charleston (5¢/ton-mile @ 472 miles)		23.60
Cost at Richmond for transportation & tariffs via NY route	\$255.58	
Cost at Richmond for transportation & tariffs via SC route		\$41.79
Advantage: Charleston		\$213.79

If the retailer was in Cincinnati, a similar result obtains. In this case, the Liverpool merchant ships through New York, and then by rail to Cincinnati. The freight rate to New

³³ George R. Taylor, *The Transportation Revolution*, (NY: Harper & Row, 1951), chapter 7. Hugh Chisholm (ed.), *The Encyclopædia Britannica* (Vol. 12, 1900), pg. 323 lists a higher average freight rate. He examined twelve northern railroads for the period 1858-1860, was 3.006¢/ton-mile. John F. Stover, *The Routledge Historical Atlas of the American Railroads*, (pg. 22) writes that the New York Central, the Erie, the Pennsylvania Railroads lowered their rates to “around 2¢/ton mile in 1860.” Taylor’s lower estimate is used here to give the greatest advantage possible to the Liverpool-NY-Richmond route.

³⁴ Taylor, *op. cit.* Chapter 7.

York remains unchanged at \$8.08. The tariff under the Morrill tariff is still \$240. Rail transport for a ton of cloth to Cincinnati, 2.2¢/ton-mile for 641 miles, would cost \$14.10. Shipping by sea to New Orleans is a much longer route, so the freight rate here is higher, \$18.99.³⁵ River transportation is the most efficient means available in 1861, so moving the cargo up the Mississippi and Ohio Rivers is fairly cheap, \$8.00 for the 1500 mile trip.³⁶ In this case, the advantage goes to shipping via New Orleans, and circumventing the new United States tariff. In this case, the shipper saves \$235.19.

Table 3: Shipping to Cincinnati

Impost under the tariff of 1857 (for comparison)	\$134.40	
Impost under the Confederate Tariff Act of 1861		\$0
Tariff under the Morrill Tariff, (3¢/yard)	\$240.00	
Shipping that to New York	\$8.08	
Shipping to New Orleans		\$18.99
Rail transport to Cincinnati from NY (2.2¢/ton-mile) @ 641 miles	\$14.10	
River transport to Cincinnati from New Orleans (\$8.00/ton upstream)		\$8.00
Cost at Cincinnati for transportation & tariffs via NY route	\$262.18	
Cost at Cincinnati for transportation & tariffs via NO route		\$26.99
Advantage New Orleans		\$235.19

Our hypothetical merchant in both cases (Richmond & Cincinnati) could undersell his competitors who shipped via New York. More importantly, he could **undersell US producers in a US market**, unless the American producers lowered their prices. Thus, peaceful secession, plus the new Morrill tariff and the Confederate Free Transit Act, combined to eliminate the tariff protection provided to American manufacturers in American markets and cost American producers not only customers in the seceded states, but in those states still in the Union in April 1861.

This situation, perhaps would have lasted only until the border was closed. Congress could have established customs houses along the United States-Confederate States border. There were thirteen points at which wholesale transportation means

³⁵ Need source for this.

³⁶ 30-40¢/ hundred weight or \$6.00-\$8.00/ton "either way," Report of Sam. L. Hale, of the Cincinnati Chamber of Commerce, Committee on River Navigation, in the response to inquiries to Sydney D. Maxwell, Secretary of the Cincinnati Chamber of Commerce, *House Documents, otherwise published as Executive documents: 44th Congress, 2nd Session*, Appendix 1, pg. 115. John Martin Vincent, in *The Johns Hopkins University Studies in Historical and Political Science*, pg. 152, lists the upstream rate for salt at 15¢/hundred, or \$3.00 ton, in 1852. See also, Thomas Senior Berry, *Western Prices before 1861: a Study of the Cincinnati Market*, pg. 42, 51, & 67.

crossed the border. United States customs agents at these thirteen could have collected the US tariff on goods coming into the US from the Confederacy. Given the nature of that border, however, smuggling would have proven hard to interdict, particularly along the North Carolina-South Carolina sector, and along Tennessee's border with Georgia, Alabama and Mississippi. Smuggling heavy commodities, such as railroad iron, may not have been economically viable, but smuggling items with a high profit to weight ratio (such as cotton cloth) would still have been viable.

Re-examine the hypothetical Liverpool merchant once again will illustrate the point. If the assumptions had been were changed to reflect the fact that the US Congress had established customs agents along the US-CS border, we find that our Liverpool merchant can still undersell American manufacturers of cotton cloth within the United States.

Table 4: Smuggling from the Confederacy to the US 1861

Leg	Cost/ton-mile	Miles	Cost of leg
Smuggling to Richmond			
Liverpool-Charleston			\$18.19
Charleston-Cheraw, SC	5¢/mile	171	\$8.55
Cheraw, SC-Laurinburg, NC (smuggling leg)	30¢/mile	28	\$8.40
Laurinburg, NC-Richmond	5¢/mile	365	\$18.25
Total transportation cost with smuggling			\$53.39
Total transportation cost w/o smuggling			\$41.79
Advantage Charleston w/o smuggling			\$213.79
Advantage Charleston with smuggling			\$202.19

Smuggling to Cincinnati			
Liverpool-Mobile			\$18.99
Mobile-Corinth by railroad	5¢/mile	324	\$16.20
Corinth-Pittsburg Landing (smuggling leg)	30¢/mile	21	\$6.30
Pittsburg Landing-Cincinnati ³⁷		522	\$8.00
Total transportation cost with smuggling			\$49.49
Total transportation cost w/o smuggling			\$26.99
Advantage New Orleans w/o smuggling			\$235.19
Advantage New Orleans with smuggling			\$212.69

Thus, in both cases, a Liverpool merchant wishing to sell to consumers in the United States could undersell American manufacturers, even if customs agents were deployed along the new United States border, as long as smuggling was moderately

³⁷ Erik Haites, James Mak & Gary Watson, *Western River Transportation: The Era of Early Internal Development, 1810-1860*, Chapter VI.

efficient. The resort to smuggling reduced the Liverpool merchant's advantage slightly, but his advantage was still substantial, due to the impact of the Morrill tariff.

A recap of the impact of peaceful secession is in order. First, British manufacturers would have had a powerful incentive to ship their cargoes to United States consumers via ports in the seceded states. In the longer term, once Congress had met and modified US tariff law to collect duties on cargoes as they entered the United States, the incentive would still have existed. The New York area would have suffered from the shifting of trade to southern ports of entry. The United States ship-owners would lose their coasting trade monopoly, because ships carrying cargoes to US ports from southern ports would now be engaging in international trade. This would *not* have eliminated New York as a port of entry, but it would have undermined the near monopoly New York enjoyed as the most significant US port of entry. This loss would be offset by the Federal government gaining more in tonnage duties from foreign ships that would engage in what had been coasting trade. Perhaps most importantly, the United States would have lost the foreign exchange earned by the southern agricultural products such as cotton, tobacco, and sugar.

At the time, newspaper editors, business and political leaders and took this view of peaceful secession. In a remarkable editorial of 10 December, 1860, the editor of the *Chicago Daily Times* noted what would happen if the southern states were allowed to leave the Union. One effect would be the impact on northern shipping interests. "Our coastwise trade would pass into other hands. One-half of our shipping would lie idle at our wharves." More importantly, an independent south would hurt northern industry's ability to compete with their European competitors. "We have" the editor wrote "a tariff that ... enables us ... to compete in our whole home market with the skilled labor of Europe."³⁸ The circumventing of that tariff would undermine American industries' ability to compete with the Europeans.

Other editors worried about the effect of the changes wrought between December 1860 and March 1861. On 12 March 1861, the editor of the *New York Post*, noting the differential between US and CS duties, wrote:

"The government, without special authorization from Congress, will have to create a line of custom houses along the North Carolina and Tennessee frontier to cover the Arkansas border with stations or revenue officers to intercept the contrabandists. ***The whole country will be given up to an immense system of smuggling*** which, on near two

³⁸ *The Chicago Daily Times*, 10 December 1860

thousand miles of coast, would meet with no obstacle or interruption, or discouragement.”³⁹

One suggestion to prevent the Confederacy from thwarting the collection of duties was to collect the duties at sea off of southern ports. Should the United States attempt this, however, it would require a large fleet. “it will cost us a great deal more than we shall get.”⁴⁰ Questions of efficiency aside, given the existing laws of the United States, it may not have been legally possible because of the operation of the Warehousing Act:

“The importers arriving at the Southern harbors will know how to address the customs house officers. ‘We have a cargo,’ they will naturally say, ‘on which we do not care to pay duties on just at present; we must deposit it in the warehouses for the term during which we are permitted to do so by law.’ What will the officers of the customs do in that case? – The government has no longer any warehouses in the seceding ports.”⁴¹

Thus the situation in April 1861 would be one of extraordinary difficulties for United States officials.

The *New York Times*’ correspondent, on 2 April 1861 wrote from Charleston, South Carolina that foreign merchants were taking notice of the changes in economic condition wrought by the secession of the Deep South. “Four agents from Manchester, Liverpool, Sheffield and Birmingham will be here [Charleston, SC] by the 1st of April, to make **arrangements for direct trade with Great Britain.**”⁴² What is more, South Carolina merchants were getting prepared to take advantage of the situation as well.

“Six vessels are now being organized by a house here, to trade with Rio de Janeiro. They will take out rice, and bring back coffee. Another firm have completed similar arrangements for the West Indies, so as to get direct supplies of sugar, molasses and fruits. **If the shrewd merchants of New-York do not destroy the Morrill tariff** at the earliest possible moment, **their marble stores will grow mouldy.**”⁴³

This news may have sent a shiver down the spines of New York merchants, as they contemplated the future of their businesses and what the new realities would do to their bottom lines.

Some southern editors waxed cynical in their pronouncements on the situation. In January 1861, the editor of the *New Orleans Daily Crescent* imagined why northerners might be opposed to peaceable secession. The import trade drew “sixty or

³⁹ *New York Post*, 12 March, 1861.

⁴⁰ *Ibid.*

⁴¹ *New York Post*, 12 March, 1861.

⁴² *New York Times*, 2 April 1861, pg. 1, col. 6. Emphasis added.

⁴³ *Ibid.*

seventy millions of dollars” yearly in duties, “to be expended mainly in the North, and in the protection and encouragement of Northern interest.”⁴⁴ The *Crescent* continued:

“They (the North) are enraged at the prospect of being despoiled of the rich feast upon which they have so long fed and fattened, and which they were just getting ready to enjoy with still greater gout and gusto. They are as mad as hornets because the prize slips them just as they are ready to grasp it.”⁴⁵

The withdrawal of the southern states likely angered northerners for a number of reasons, but this southern editor was convinced that the “slipping of the prize” was the major consideration.

Newspaper editors were not the only people taking notice of the economic effects of peaceable secession on the northern economy. In New York, Gazaway B. Lamar, a Georgia native who moved to New York City to become a banker. In March 1861, he wrote to fellow Georgian Howell Cobb about the sentiment of his fellow New York businessmen. They were worried, Lamar wrote.

“The differences between the rates of the tariffs North and South are creating great discontent already at the North, and they will in the North have to call an extra Congress to repeal their Morrill tariff. This will be the consequence; and if they do not, a considerable part of the direct importations usually coming North will go to the South. With free trade at the South, **all imports would be diverted to the Southern ports** until New York City could redress herself either by dissolving the relations she holds to the Union and adopting free trade or by bringing all the other states to do it.”⁴⁶

Once again, an observer of the nexus of politics and economics had come to the conclusion that allowing peaceful secession would upset the advantages the people of the northern states garnered from the continuation of the Union with the southern states. Allowing the southern states to leave the Union, and allow free transit of Confederate territory would divert trade from its former northern routes into new southern ones.

The opinions of editorial writers and bankers may have influenced Federal policy that spring, as vested interests sought protection, but it was President Lincoln who determined Federal policy. On three occasions in April 1861, observers were in a position to record President Lincoln’s views on allowing peaceful secession. Two of these are well known, and their provenance makes it possible to discount them. One was first-hand, but not recorded until years later. Another was both second-hand and dated. The third, however, was both first-hand and recorded at the time, which lends it

⁴⁴ *New Orleans Daily Crescent*, 21 January 1861.

⁴⁵ *Ibid.*

⁴⁶ Ulrich Bonnell Phillips, *Annual Report of the American Historical Association*, 1911, (Washington: American Historical Association, 1913), Volume 2, pg. 552. Emphasis added.

more credibility than the others. Taken together they paint a picture of what was on President Lincoln's mind that spring.

John B. Baldwin had served Augusta County, Virginia as a Whig politician before the war. The local paper described him as "a good Union man" and he was elected on an anti-secession platform to the Virginia Convention of 1861 which debated Virginia's response to Lincoln's election.⁴⁷ During the convention, Baldwin voted consistently and argued effectively for a pro-Union position and against immediate secession.⁴⁸ In early April 1861, President Lincoln asked Unionist leader George Summers to come to Washington to consult with him. The convention was debating a significant issue and Summers could not afford to be absent. Summers felt he had to remain in Richmond to maintain control of the unionist delegates, so he asked Baldwin to go to Washington in his stead.⁴⁹ Baldwin arrived on the morning of 4 April, and proceeded to the White House and had a private interview with President Lincoln. Lincoln suggested that the Virginia Convention adjourn *sine die*. Baldwin assured him that Unionists were in charge of the current convention.⁵⁰ Baldwin then countered by suggesting the Lincoln order the withdrawal of troops from Ft. Sumter and Ft. Pickens, while moderate Unionists put together a plan to reconstruct the Union. Lincoln suggested that "his friends would not be pleased with such a step." Then, the President added, "Well, what about the revenue? What would I do about the collection of duties?" Baldwin reported this anecdote to a congressional committee five years after the fact, but the story was first-hand.

Another anecdote covers a similar situation. As April continued to play out, reports of preparations for a military expedition to Fort Sumter continued to circulate.⁵¹ The Virginia Convention, having soundly defeated secessionism on 4 April, reacted with concern to these stories. They voted to send a delegation of three men, one secessionist, one unionist, and one moderate, to speak with President Lincoln about his intentions.⁵² Alexander Hugh Holmes Stuart was the "extreme Union party" representative. The three men went to Washington, arriving on the morning of 12 April,

⁴⁷ *The Staunton Vindicator*, 8 February 1861, pg. 2, col. 1.

⁴⁸ George H. Reese (ed.), *Proceedings of the Virginia State Convention of 1861*, vol. I, pg. 6, vol. II, pg. 139, pg. 183, pg. 288. Baldwin's unionism was conditional, however. See, vol. III, pg. 93.

⁴⁹ Baldwin's Testimony before Congress, 1866.

⁵⁰ The Convention voted down a secession measure that very day, by a margin of 45 to 88. Reese, *op cit.* vol. 3, pg. 162.

⁵¹ "Warlike Preparations," *New York Times*, 8 April 1861, pg. 1, col. 5.

⁵² Reese, *Virginia Convention*, vol. 3, pg. 351.

and met with the President shortly thereafter. The President read to them a written statement professing peaceful intention. Stuart then spoke, “urging forbearance and the evacuation of the forts.” President Lincoln’s response, according to Stuart, was “If I do that, what will become of my revenue? I might as well shut up housekeeping at once!”⁵³ Here again, in response to any suggestion of evacuating the forts to allow political maneuver room for unionists who were trying to craft a compromise that would bring the seceded states back into the Union, President Lincoln’s first rebuttal was the effect of undermining the revenue laws.

The Federal troops were not collecting the Federal tariffs, and Lincoln had to know that they were not capable of doing so, but their presence in Charleston harbor did have some benefits from the perspective of the President. They were a continuing symbol of Federal authority in the seceded states. They were a complicating factor in the calculations of those planning on shipping goods through Charleston to take advantage of the differential in tariff laws. The withdrawal of Federal troops from Forts Sumter and Pickens would make political room for moderates to reform the Union. On the other hand, it would remove a major bargaining chip with which the President could have change the political calculus and more importantly would have fully opened the flood-gates of duty-free goods into the United States through the Confederate States.

A third interview occurred on 22 April 1861, when a delegation from Baltimore visited the President. Confederate forces had fired on Fort Sumter the previous week, but no one on either side had been killed. The Baltimore YMCA sent a delegation to Washington to urge a pacific policy. The delegation was led by Rev. Dr. Richard Fuller of the Baptist Church of Baltimore.⁵⁴ Fuller suggested that Lincoln, “let the country know that you are disposed to recognize the independence of the Southern States.” He did not address secession *per se*, but suggested that Lincoln “recognize the fact that they have formed a Government of their own; that they will never be united again with the North, and peace will instantly take the place of anxiety and suspense, and war may be averted.” Lincoln immediate response was “***what is to become of the revenue? I shall have no Government—no resources?***”⁵⁵ For the third time in a month, in response to an Upper South unionist’s suggestion that Lincoln let the Deep South go peacefully, President Lincoln’s first thought was the impact on United States revenue laws. The

⁵³ Robert Louis Dabney, *Discussions (Secular)*, vol. 4, pg. 97.

⁵⁴ Fuller lived and worked in Baltimore, but he also owned slaves and a plantation near Beaufort, South Carolina.

⁵⁵ *Baltimore Sun*, 23 April 1861, pg. 2, col. 1.

differential between United States' tariffs and the free transit of Confederate territory made tolerating peaceful secession unacceptable to the President, even in the short term.

The differences and commonalities of these three anecdotes make them interesting to the scholar of the war. The first anecdote, Baldwin's, was reported first-hand, but was dated. Baldwin gave it as part of his testimony before Congress in 1866. Baldwin ran as an opponent of secession and voted against secession in the Virginia Convention on 17 April. Once Virginia seceded over his objections, he did serve in the Confederate Congress. Stuart's anecdote is similar. Stuart had been a Whig before the war, and opposed secession on both 4 and 17 April. His story was used by one of the original Lost Cause advocates, Robert Louis Dabney, to support his interpretation of the causes of the war. Thus, Stuart's version is both second hand and dated. The third anecdote, however, was both first hand and immediate. Fuller, on his return to Baltimore, went to see the editor of the *Baltimore Sun*, and related the story. Fuller, as noted, was a slaveholding owner of a plantation on Saint Helena in coastal South Carolina. One might expect Fuller to have been inclined to emphasize the importance of the tariff and minimize the significance of slavery, yet, in 1845, Fuller had been happy to defend slavery from a scriptural basis.⁵⁶

In the end, the similarities of these three argue for their reliability. On three separate occasions in April 1861, when Upper South moderates or Unionists had suggested the possibility of letting the Deep South states go in peace, the first objection Lincoln raised on all three occasions was that this policy would ruin Federal revenue collection. Baldwin's and Stuart's anecdotes were not published until after the war, so Fuller could not have known about them on 22 April.⁵⁷ It seems reasonable to conclude that the protection of Federal revenues was a key consideration in preventing secession. This is not to say that protecting Federal revenues was the sole consideration. There is nothing internally inconsistent with protection of revenue, a belief that the idea of democratic self-government was on trial in the United States, and the belief that keeping the Union together was itself a positive good.⁵⁸ The fact remains that protecting Federal

⁵⁶ Willie Lee Nichols Rose, *Rehearsal for Reconstruction: The Port Royal Experiment*, (Athens: University of George Press, 1999), pg. 111-112.

⁵⁷ Stuart did report, in the Virginia Convention, on his interview with Lincoln, but this report lacked details of the conversation since Stuart felt they were to be held in confidence, and not intended for public distribution. See Reese, vol.4, pg. 10.

⁵⁸ Positions Lincoln argued on other occasions.

revenues and the business component of the Republican coalition were important factors in President Lincoln's policy considerations in April 1861.⁵⁹

This case offers a chance to examine an historical issue from the perspective of the actors at the time and understand it as they understood it. Attempting this helps us strip away the layers of partisan accretions that have been added since these events and cloud our understanding of the critical events of this watershed moment.

⁵⁹ Lincoln refused to accept slavery expansion due to its effect on the Republican coalition. For the Lincoln's relationship with business interests in New York, see Philip Foner's work *Business & Slavery: The New York Merchants & the Irrepressible Conflict* (Chapel Hill: UNC Press, 1941) explores the importance of new York businessmen to the Republican coalition of 1860.