

**THE HISTORY OF THE CONFEDERATE
TREASURY. A DISSERTATION PRESENTED
TO THE BOARD OF
UNIVERSITY STUDIES OF THE JOHNS
HOPKINS UNIVERSITY FOR THE DEGREE
OF DOCTOR OF PHILOSOPHY**

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The History of the Confederate Treasury. A Dissertation Presented to the Board of University Studies of the Johns Hopkins University for the Degree of Doctor of Philosophy by Ernest Ashton Smith

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The History of the Confederate Treasury

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A Dissertation Presented to the Board of University
Studies of the Johns Hopkins University for
the Degree of Doctor of Philosophy.

BY ERNEST ASHTON SMITH, PH. D.,

Professor of History and Economics, Allegheny College, Meadville, Pa.

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The History of the Confederate Treasury

By Professor Ernest A. Smith, Allegheny College

CHAPTER I.—CREATION OF THE TREASURY.

The history of war is not alone the account of the movements of hostile men. Other agencies than bullet and bayonet have their share in deciding the issue. Valor and numbers are largely determining factors, yet economic forces play a part whose importance needs to be carefully measured. The war chest of a Frederick the Great indicates one method of establishing an absolute guarantee of victory. Modern conflicts cause to be levied, when the emergency arises, more direct contributions from the accumulations, possessions and transactions of the nations' subjects. That people which has the full enlistment of its financial resources and the mustering of its complete industrial strength is well nigh thrice armed.

The Confederate States of America was naturally engaged from its inception in a struggle for existence. The creation of its Treasury and the establishment of a revenue were a concern of vital consequence, which was to be vastly emphasized by the mounting demands of a land widely assaulted. Thus the test from the start was the more severe in that the Treasury was engaged in deficit financing. Every device which opportunity or neces-

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sity could urge was the subject of experiment by the Department in its efforts to supply the sinews of war.

In addition to the ordinary fiscal operations there devolved on the officials the diverse and difficult problems of loans, currency, taxation, commerce and produce purchasing. The study of these activities suddenly thrust on the Treasury will portray phases of public finance, profitable both for instruction and for warning.

The Provisional Congress of the Confederacy of six Southern States met in Montgomery, Alabama, February 4, 1861. Within four days the Provisional Constitution was drafted and adopted to remain in force one year. The United States laws in operation on November 1, 1860, and not otherwise inconsistent with the new instrument were enacted as binding on the Confederacy. The following day brought the election of the President and Vice-President, while the interval until the inauguration on the 18th of February was occupied by the organization of an army and a navy, the adaptation¹ of the former national system of revenue, the declaration² of a temporary internal free trade, and other appropriate legislation. Cabinet officers were to be appointed by the President for a term of six years, and the choice of Mr. Davis for his Secretary of the

SECRETARY C. G. MEMMINGER.

Treasury was announced February 19th to be Mr. C. G. Memminger, of Charleston, South Carolina. The experience of this gentleman consisted of a long service³ in the Legislature of his State, where as chairman of the Ways and Means Committee he⁴ had charge of the special financial measures, growing out of the crisis of 1837 and 1857,

¹ Act of Feb. 14, 1861.

² Act of Feb. 18, 1861.

³ Capers's *Life of Memminger*, pp. 106-186.

⁴ Christopher Gustavus Memminger was born at Nayhingen, Wurtemberg, in 1803, and came to Charleston at the age of four; he was graduated from South Carolina College in 1819.

relating particularly to banks, specie payments and note issues.

Mr. Memminger was then in the Provincial Congress, serving as chairman of the Committee on Commerce. As the minister of finance he received his appointment before the Congress had formally created the Department, for not until February 21st was the law framed⁶ establishing and defining the offices. Under the Secretary were Comp-

ORGANIZATION OF THE TREASURY.

troller, Auditor, Register, Treasurer and Assistant Secretary. The Treasury⁶ in embryo at once found a local habitation for itself under the charge of the chief clerk of the Secretary, Col. Henry D. Capers. The first requisition on it to provide blankets and rations for 100 men, the first volunteers, a company from De Kalb county, Georgia, had to be met by the personal credit of the Secretary. The State of Alabama had offered Congress a loan of half a million dollars, but the bonds were not then available.

Within a short time the organization of the Treasury Department in its several divisions was perfected on the system devised by Alexander Hamilton. Several of the officials had served in the United States Treasury and had resigned to tender their services to the new government. Notably was Philip Clayton, former assistant secretary in Buchanan's administration, who now assumed the same position at Montgomery. C. T. Jones came to the register's office as chief clerk, well equipped⁷, bringing from Washington copies of all the forms in use in the several bureaus. The second auditor, W. H. S. Taylor, had been twenty-five years in the employ of the United States. He said in his first report of December 31, 1861,

⁶ Session I, Ch. VIII, Confederate Acts.

⁶ Capers's *Memminger*, p. 310.

⁷ Capers's *Life of Memminger*, p. 319.

that after taking the oath to the Confederacy, when he went back to Washington to obtain books, forms and precedents he was sternly denied all access. The first auditor was Bolling Baker, who continued in his office to the end. A. B. Clitherall was register and E. C. Elmore, treasurer. There were assistant treasurers at New Orleans, Charleston, Savannah and Mobile. The depositories performed essential functions of the Treasury mechanism. They were located in the larger cities at first, their number being less than forty for two years, but increasing during the great funding operations by three hundred at a time. They were in a way the banking branches of the Department without the discount provision. Here public moneys were received and disbursed, government accounts kept, taxes prepaid for interest certificates, and the various Confederate bonds offered for sale. Under the funding acts they were to furnish the government securities in exchange for notes.

The Congressional provisions of the first session indicate that the financial system then in view had customs

CUSTOMS THE CHIEF SOURCE OF REVENUE.

duties for its chief source of revenue. All United States collectors who joined the new government were appointed with the original powers and pay. Free admission until March 15th had been extended to all meats, grains, provisions and war material. Revenue depots⁸ were placed after that date in northern Alabama, Georgia and South Carolina, but duties were generally suspended on goods from border States expected to join the Confederacy. Upon the accession of Tennessee and North Carolina the interior customs offices were abolished. A provisional tariff of 15% *ad valorem* on coal, iron, wood and paper was adopted March 15th, and a duty of five cents per ton, called light money, was ordered on all vessels entering

⁸ Order of March 21, 1861.

ports. The Federal blockade early interfered with this policy of relying upon import returns, for on July 9th the collectors at all small ports were dismissed.

The first actual money came to the Treasury March 14th, through the Bullion Fund* of \$389,267.46, in the hands of the State Depository of Louisiana, and \$147,519.66, the balance from customs at New Orleans, which sums were transferred to the Confederate Government by the Convention of the State.

To meet rapidly developing emergencies,

THE FIRST FINANCIAL LEGISLATION

of Congress was the fifteen million dollar loan authorized February 28th. The bonds were for ten years, bearing 8% coupons, payable semi-annually. This interest was definitely guaranteed by the pledge of the duty of 1-8 of one per cent. per pound on all raw cotton exported after August 1, 1861. The interest coupons were receivable for this export duty. This beginning was on a sound basis, and the loan's success demonstrated the correct principles of finance recognized. But more immediate funds were needed for urgent disbursement and the second¹⁰ financial legislation provided for the issue of

ONE MILLION DOLLARS OF TREASURY NOTES.

These were to be one year notes, bearing \$3.65 interest on \$100, similar to the issue by the United States under the regime of Buchanan's Secretary of the Treasury, Howell Cobb, of Georgia, now President of the Provisional Congress.¹¹ They were made receivable for duties and taxes, except export duty on cotton.

*This was coin kept at the New Orleans mint for the convenience of those bringing bullion; the fund had been \$3,000,000 up to 1856.

¹⁰ Act of March 9, 1861. Session I, Chapter XXXII.

¹¹ The absence of engravers in the South led to a contract for preparing the issue with the American Bank Note Company, of New York. There is a current tradition that these notes were seized as contraband of war by the United States Government, it