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CONFEDERATE FINANCES ABROAD.

by

Judith Anne Fenner

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PREFACE

This study grew out of a seminar assignment to determine how much money the Confederacy received from the Erlanger loan. When it became evident that the sources were available to determine this amount with accuracy, I became excited about the possibility that the records would also allow me to determine the total amount of money that was provided in Europe by all the different methods used by the Confederacy. Four years later, I find myself able to do so, but with many limitations on the scope and completeness of the work.

Because of the complexity of the subject and the different type of sources that would have had to have been consulted in order to cover completely the subject of financing foreign purchasing for the war effort, I have limited myself to money spent by the Confederate government outside of the Confederacy. The government also bought many items at Confederate ports from the captains of private blockade runners, and in addition it contracted for the delivery in the Confederacy of much material needed for the war. These imports were paid for in the Confederacy, however, and the payments are not included in this study.
of Confederate finances abroad. In addition, several state
governments bought necessities in Europe and imported them
into the Confederacy. They often had agents in Europe
and paid there for their purchases, but this study of
Confederate government activities does not attempt to in-
clude the funds provided abroad by the states.

It has been possible to determine with some accuracy
the total amount of funds provided by the Confederate
government for the use of its agents in Europe, and to de-
termine the varying amounts produced by different methods.
The same figures for amounts provided in Mexico are unfor-
tunately much less accurate due to the incompleteness of
the records consulted. The amounts provided in Europe by
four methods have been determined with accuracy--those
raised by the Erlanger loan, letters of credit, sales of
Treasury bonds, and sales of cotton bonds. The sum trans-
ferred by bills of exchange is almost as accurate. Gold
shipments via Nassau have been documented completely, but
there is much question about the figure derived for gold
shipments via Bermuda. The totals given of funds raised
by cotton shipments and by ship sales are minimums, but
it seems unlikely that large additional amounts were pro-
vided in Europe by these methods. Finally, the total
derived as the amount raised by short-term loans is a very approximate figure. The total of funds provided in Europe that has been derived is therefore limited by the limitations of these figures.

It would have been impossible for me to have even begun, much less completed, this study without the continuing enthusiasm, suggestions and direction of Dr. Frank E. Vandiver. His knowledge of the sources available and their relationship to this subject was most important in insuring the success of my inquiries. His continuing confidence and openness to critical discussion have kept my interest in history alive throughout my years at Rice. I also owe thanks to my friend, Sarah Ross Manry, for her editing efforts and suggestions regarding style, and to Dr. Sanford W. Higginbotham for a very careful reading of the manuscript and several useful suggestions of ways to increase the clarity of particular passages. Finally, I thank my typist, Mary Comerford, for her efficient and cheerful effort.

Judith Anne Fenner
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CHAPTER 1

THE MIXED SUCCESS OF THE BLOCKADE

There have been few wars between countries that have a navy in which some form of a blockade was not used. The government imposing the blockade almost always hopes to prevent the blockaded area from importing munitions and strategic materials. In modern times governments have come to realize that all materials imported contribute to the war effort, and ideally the flow of all goods should be stopped. Another goal of blockades is to keep enemy vessels trapped in their home ports. In addition a blockade should upset the economy of the country—both to lessen the country’s capacity to produce war materials, and to deprive the people of necessities and thus turn them against the war effort.¹

Blockades are not usually as successful in practice, however, as they are in theory. As early as the Peloponnesian Wars, blockade running prevented an army stranded on a desert island from starving.² A major objective of the British blockade of French ports during the Revolutionary Wars was to prevent movements of the French
fleet, yet the Tricolor ships slipped out several times to challenge the British ships. The Allied blockade of the Central Powers during World War I held imports down to a minimum for several years and imposed great hardships on the German people, but it failed to destroy their morale until the last months of the war.

But the usefulness of blockades still cannot be denied. Importing necessary materials successfully through a blockade requires great effort and expense. Blockaded warships can escape only in small numbers, and then they cannot get back through the blockade to port again.

Perhaps most important, the disruption of the economy of a blockaded nation, especially a nation that depends on foreign commerce, can cause a lot of short- and long-term havoc. Among the first problems to arise is that the countries from whom the blockaded nation has been receiving imports begin to look for safer markets and sources of raw materials. Trade dies out completely, at least for a short time, since few businessmen accustomed to safe and regular trade can adjust quickly to taking great risks. Later, some importers may begin taking the risks or other, more adventurous companies may enter the field, but first the blockaded country must become willing to pay the high
prices that the goods brought through the blockade can command. 6

Thus importing and exporting firms and the companies that produce goods for export suffer first. Exporting manufacturers and even farmers can start producing the goods needed for the war on those usually received from abroad. The shippers have little choice, however, between sitting idly by and attempting to run the blockade. Generally they do find ways to evade the blockaders: Napoleon's blockade became almost useless because the merchants were so adept at bribing his officials. 7

Blockade-running will begin as soon as the country is cut off from materials essential to survival. Since these items are the ones that can demand the highest prices, they are the ones that start the blockade runners running. Goods which are bulky or heavy in relation to their value, such as food or lead, would attract a blockade runner less than smaller, more important items, such as medicines and arms. To obtain the less attractive goods it may be necessary to make special contracts with the shippers or to involve the government. 8

The long-term impact of an effective blockade is even greater than the short-term effects. In countries where the
ordinary channels of trade, communication, and transportation are organized around a large foreign trade, the impact is especially strong. A manufacturing nation soon experiences food shortages. An agricultural nation feels the lack of new manufactured goods and replacements for what machinery it has. In addition to the problem of obtaining supplies, the distribution of them becomes difficult. Transportation and distribution systems as well as credit arrangements must be reorganized for the use of domestic instead of foreign supplies. Shortages of various goods appear within months, demand-pull inflation helps depreciate the currency, and the depreciated currency makes the general economic chaos even worse.\(^9\)

The blockade also indirectly affects the little international trade the nation can arrange through the blockade runners. If the blockade is at all effective, other nations begin to wonder about the ability of the government to withstand the blockade and hesitate to extend it credit. In normal times imports are purchased with the money from exports. With the blockade limiting exports, the problem of paying in other countries for goods bought there becomes acute.
When normal channels for making foreign payments are cut off, a blockaded nation has several other alternatives to choose from. It can attempt to run the blockade with valuables—gold or goods—and sell them abroad to pay for purchases. But even a government is seldom equipped to buy the valuables, find ships that are fast enough to run the blockade, find people to market the goods abroad, and do it quickly. It takes time to make these adjustments.

Another possibility is that the blockaded nation can try to borrow money abroad, using valuable goods inside the blockaded nation for security, or using no security at all except a promise to repay. But if there is doubt about the ability of the nation to survive, there will be doubt about its ability to repay the loan, or even to deliver the security. This obstacle can be overcome if a foreign government considers a loan to the blockaded country to be in its own best interests; that is, if the foreign government still would consider the investment useful, diplomatically perhaps, if it knew at the outset that the loan might never be repaid.

Winfield Scott, the aging commander of the Union troops in 1861, was the first to suggest an extensive blockade of the seceding states as part of his plan to strangle the
Confederacy into submission. In March he urged that the entire Confederate coast be blockaded and that a combined Army-Navy expedition be sent to occupy the Mississippi River. He suggested stopping then and waiting for the South to feel the force of the blockade and for the states to ask to get back into the Union.  

Lincoln took the basic elements of Scott's plan--a naval blockade of the Confederacy and occupation of the Mississippi River--and combined them with a military offensive along the border. He announced the beginning of the blockade in April 1861. A few blockaders arrived on their stations at sea off Confederate ports within six weeks, but there were far too few Union ships available and the blockade cannot be considered to have been at all effective until late 1861. More and more blockade runners were captured during 1862 and 1863 as the number of blockading ships increased and their techniques improved. But the blockading fleet could not stop the blockade runners until Union troops finally captured the Confederate ports.  

The blockade effectively made Confederate imports of war materials far more difficult, risky, and expensive. It did not, however, prevent the importation of arms, ammunition, shoes, blankets, clothing, salt meats and other goods
needed for the war effort. Large amounts of these goods were brought through the blockade by private blockade runners and even larger amounts came in on vessels owned or chartered by the government. Government vessels made excellent blockade runners: they were successful in almost ninety per cent of their attempts.\footnote{12}

The blockade had much greater long-term economic effects on the Confederacy than did the immediate stopping of imports. Although there were an amazing number of evasions of the blockade—over eight thousand\footnote{13}—the tonnage that each runner carried was small. The extent of the blockade’s impact shows up best by comparing the export figures for the periods before and after the blockade began. In the 1860-61 cotton shipping season, the Confederacy exported over two million bales of cotton. During the next season, this number fell to a little over thirteen thousand.\footnote{14} Obviously this was a primary factor in upsetting the Confederate economy.

The shippers that did get their cargoes into the Confederacy through the blockade were paid for them in cotton or in Treasury notes which they immediately used to buy cotton. These same shippers exported the cotton to Liverpool and sold it, but very little of the hard money
that was paid for the cotton ever got back through the blockade to the Confederacy. This interrupted the normal process of trade which usually put large quantities of sterling in Confederate banks for spending abroad. When the Confederates had spent their limited supply of sterling in the first two years of the war on Army and Navy purchases in Europe, they had to find other methods of paying for imports. Under normal circumstances they would have begun exporting large quantities of cotton, but the blockade was there to stop them. The Confederacy did, of course, survive the blockade for four years by getting over these difficulties at least every now and then.

At the beginning of the blockade the shippers were cautious. Foreign ships that had planned to go to the Southern states decided not to risk it. Most of the ships in the Confederate ports hurried to leave before the blockade closed. But soon adventurous Confederate firms began sending ships on trial runs, and if they were successful they sent out more. John Fraser and Co. of Charleston was one of the first and most successful of these firms. Later, as the blockading fleet grew sharper, the experiences from the early and relatively safe months paid off. Ingenious captains in swift, shallow-draft, mist-colored steamers
repeatedly outwitted or outran the blockaders. When finally there were enough Union ships to make the blockade effective, the tempting profits in the trade led the bolder firms to form blockade-running companies, putting new vessels into the trade as fast as the old ones were captured.

By mid-1862, most of the trade originated from Charleston, South Carolina, and Wilmington, North Carolina. The fast blockade runners carried the cotton from there to Nassau or Bermuda, where it was transferred to more conventional ocean-going sailing ships for the trip to Liverpool: once the cotton had reached a neutral port and been put into a neutral ship it was no longer liable to capture. At the islands the blockade runners exchanged the outward cargoes—cotton, tobacco, or naval stores—for inward cargoes of munitions, clothing, food, or other goods that the Confederacy needed. When Charleston and Wilmington were finally captured in the winter of 1864-65, many of the blockade-running ships went to Havana and joined the few ships that had been running between there and Galveston, Texas, or Matamoros, Mexico. 15

The Confederate government did not follow the shippers' lead into blockade running very quickly. But the government did develop three relatively successful techniques for pro-
viding the money needed abroad. Each of these techniques, however, was limited in its success. The first was successful while it lasted, but it was based on bills of exchange—a commodity that a blockaded nation has only in limited supply. The other two techniques—a bond issue in the London market and exporting cotton—were never carried out on a scale big enough to acquire the necessary funds. All of these techniques made large amounts of foreign exchange available, but there were long intervals when Confederate credit in Europe suffered and there was doubt about whether the Confederates were going to meet their current obligations. These lapses were so great that European purchases of ships and arms had to be stopped several times.\textsuperscript{16} Although the blockade did not prevent munitions from getting into the Confederacy, it did eventually prevent the Confederates from buying what they needed in the first place.

Using bills of exchange to meet obligations in Europe did work, and it financed Confederate foreign purchases successfully until the late summer of 1862. Bills of exchange continued to be sent in large quantities until the spring of 1863, but Confederate purchasing in Europe had expanded in 1862 beyond the capacity of the supply and a crisis developed
in the fall of 1862. In addition, the actual transfer of funds to Europe by bills of exchange slowed almost to a standstill after March of 1863. The entire policy of using bills of exchange to meet obligations in Europe was short-sighted because the supply was limited to the bills of exchange that were in the Confederacy when the war began. Within a few months there was a premium on the exchange. By early 1863 bills of exchange were obtainable only in small amounts, and the premium had risen to over two hundred per cent. 17

By the fall of 1862, when it had become evident that the supply of bills of exchange was not going to last forever, the government began trying a variety of new approaches. One was a plan to make payments in Europe with $2.5 million in gold coin that the Confederate government had confiscated from banks in Louisiana. Later several parcels of eight per cent Treasury bonds were shipped to Europe for sale there. The Navy Department suggested developing several types of cotton bonds to be sold in Europe, giving claim to specified parcels of cotton inside the Confederacy. A proposal was accepted from a Paris financial firm, Emile Erlanger and Co., for a large issue of Confederate cotton bonds on the European stock exchanges. Further, the govern-
ment began to get into the blockade-running business to export cotton and take advantage of the high prices it brought in Liverpool.\textsuperscript{18}

In spite of all this Confederate credit was badly shaken by early 1863. The Treasury bonds that had been sent to Europe proved virtually worthless, and the cotton bonds brought very little more. The Confederacy's plans to export that infallible currency—gold—were not successful until 1863. The only thing that saved the Confederates from defaulting on their payments and losing their credit in 1863 was the Erlanger loan. The loan kept the Confederates solvent through 1863 and restored their credit in Europe at least temporarily.\textsuperscript{19}

The third successful technique that the Confederates developed to obtain money in Europe was the export of cotton in bulk. The government acquired a small fleet of good blockade runners during 1863, and for a while the steamers ran cotton regularly between Confederate ports and the island depots. In mid-1864, plans were made to replace these vessels, most of which had been captured, with fourteen specially-built larger vessels, six of which actually entered the service before the end of the war. Measuring by the number of bales of cotton exported, the policy begun
in February 1864 was even more successful: every ship leaving the Confederacy had to carry out at least a half cargo of cotton for the government. 20

This policy came too late, obviously, but it may also have been too little. The profits of running cotton out were good, but this trade by itself could never have supported the government's needs in Europe. In 1864 Confederates kept their heads near the surface only by selling some of their warships. Even this was not enough. At the end of the war the Confederacy's account with their English bankers was overdrawn and large sums were owed to various other foreign firms. 21

This study will determine the approximate total of funds acquired abroad. Since most of the transactions were carried out in England, all calculations will be in pounds. The results of each of the Confederacy's three main methods for getting money to Europe will be shown, as well as when each of the methods had its greatest effect and what happened during the periods of crisis between. An examination of each method from its initiation to its last payment should give insight into which was best and why.

Two sets of people had control over the foreign financial policies of the Confederate government—Confederate
officials at home and Confederate financial agents abroad. The most important of these inside the Confederacy were the Secretaries of the Treasury—Christopher Gustavus Memminger until June 1864, and George A. Trenholm, formerly of John Fraser and Co., during the last year of the war. The Secretaries of State—Robert Augustus Toombs, Robert Mercer Taliaferro Hunter, and Judah Philip Benjamin—sometimes contributed ideas. Memminger consulted John Fraser and Co. early in the war about foreign exchange and purchasing, the possibility of exporting cotton, and blockade running. John Fraser and Co.'s house in Liverpool, Fraser, Trenholm, and Co., later handled almost all of the Confederacy's European transactions.

Other officials involved in the problem of foreign payments were Secretary of the Navy Stephen Russell Mallory, and Army Chief of Ordnance Josiah Gorgas. With the help of the various Secretaries of War—Leroy Pope Walker, Judah P. Benjamin, George Wythe Randolph, and James Alexander Seddon—Gorgas ordered imports and paid for them for the first twenty months of the war. Later other Army bureaus began to need things from Europe and the department heads also began to worry about how to get money over there. The most important of these were Quartermaster Generals Abraham

By early 1864, the government exports of cotton and tobacco were so large and so complex that a special agency, under the direction of Lieutenant Colonel Thomas L. Bayne, had to be set up to supervise all government exports and imports. In the Trans-Mississippi Department conditions were entirely different and a separate set of officers dealt with the problems of the West.

Perhaps the one man who had the most influence on Confederate financial efforts in Europe was Charles Kuhn Prioleau of Fraser, Trenholm and Co. in Liverpool. Through this firm Prioleau repeatedly extended short-term credit to the Confederates, and put them in touch with many other firms who exported goods to the Confederacy on credit or who actually provided cash for bills that were due. Fraser, Trenholm and Co. also served as the European depository for Confederate funds, and received almost all of the cotton the Confederates shipped to Europe.

Two Confederate officers who worked in close cooperation with Prioleau during the first two years of the war
were Major Caleb Huse and Commander James Dunwoody Bulloch, The Army Ordnance and Navy purchasing agents. In late 1862 the Confederate commissioners in England and France, James Murray Mason and John Slidell, also worked with these officers and occasionally directed them. At this time James Spence of Liverpool was the official Confederate financial agent in England, but he never had much influence.

In the winter of 1862-63 the Confederates began to depend on Emile Erlanger and Co. as the agreement for the loan to be floated through this firm took shape, largely because this firm was willing to extend them short-term credit until the loan was completed. In May 1863, the last important Confederate financial agent arrived in Europe—Colin J. McRae, who eventually took charge of all the Confederate funds in Europe and all fund-raising efforts.

Other less important Confederate agents in Europe had temporary influence on financial decisions. Among these were Major James Ferguson (Quartermaster Department purchasing agent); William G. Crenshaw (Army contractor to provide quartermaster and commissary stores); Captain James Heyward North, Lieutenant George T. Sinclair, and Commander Matthew Fontaine Maury (agents of the Navy Department to buy or build warships); Major Edward C. Anderson (sent early in
the war to check up on the loyalty of Caleb Huse, the Army
Ordnance Bureau purchasing agent); and Norman S. Walker,
Louis Heyliger, and Charles J. Helm (the Confederate de-
positaries in Bermuda, Nassau, and Havana). 22

With a few exceptions the whole Confederate effort to
raise money in Europe was characterized by a lack of energy
and foresight in the policy-makers. Each man's responsi-
bility for the failures can of course be lessened by con-
sidering the circumstances. But as a result of poor
management of a poor system the Confederates' fighting
capacity was far less than it could have been, simply be-
cause they could not buy what they needed in Europe.

Until early 1864, when Lieutenant Colonel Thomas L.
Bayne was put in charge of all government exports and im-
ports, no one person was responsible for providing money
in Europe. Secretary of the Treasury Memminger was busy
establishing the whole Confederate financial system, and
foreign exchange was only one of his worries. Army and
Navy officers within the Confederacy who planned to buy
materials in Europe did not wake up to the problem until
they found that they had no funds. Even the purchasing
agents in Europe spent most of the first year finding sup-
pliers and making contracts, leaving others to provide the
money. Everyone involved had urgent duties and no one thought much about long-term financial plans.

Some men did suggest that cotton should be sent to Europe quickly, before the blockade became effective, to make a credit base there. But these men were few, they were not in policy-making positions, and they had to buck two widely-held beliefs. First, everyone thought it would be a short war, so there was no need for such an expensive contingency plan. Second, many felt that the cotton would be more useful as a diplomatic lever: let the blockade withhold cotton from European countries whose economies depended on cotton and they would help the South break the blockade. But the reasons that decided the issue at last were purely practical ones: how to organize such a huge effort, how to get the necessary transportation, and how to finance it when there was no way even of printing Treasury notes. 23

This is why the Confederates did not initiate a cotton export policy in the first few months of the war. But there was a lack of energy and foresight that continued long after "King Cotton diplomacy" was seen to be a failure and it was evident that the war was going to be a long one. These failings were intensified by the Confederate officials'
ignorance of the real conditions in Europe. When the crisis in foreign exchange developed in late 1862, Memminger made only half-hearted attempts to export cotton even though Europeans were in dire need of it and would pay fantastic prices for it in Liverpool. Instead, he relied on the sale of Confederate Treasury bonds and cotton bonds. Europeans were completely uninterested in the Treasury bonds, and they were only interested in the cotton bonds if the price of the cotton was low enough to cover the extensive risk involved in getting it out of the Confederacy. Unfortunately, slow communications and a few small successes in the first efforts to sell these bonds caused a full six months to pass before Memminger realized that they wouldn't yield much money.

The one successful technique that came between using bills of exchange and exporting cotton—Emile Erlanger and Co.'s offer to float cotton bonds on the London stock exchange—originated in Europe. The officials in Richmond adopted it with reluctance, and for diplomatic instead of financial reasons. They almost rejected it because of suspicion of the international banking community, an unwillingness to burden future generations with a large foreign debt, and an idea that the Confederacy had no need for that much
money in Europe.

The single praiseworthy aspect of the Confederates' effort during the war was the attention they gave to protecting the new nation's credit. Confederate agents in Europe, especially General McRae, did most of it. When it seemed possible that the Confederacy might default on a payment, the agents took extreme measures to prevent it. And there were no defaults until the last months of the war. In the first year the Confederates received millions of dollars of goods on credit. When the flow of money from the South slowed down in early 1863, the agents had to postpone some payments and their credit suffered. The success of the Erlanger loan revived it, but only until the news of Gettysburg and Vicksburg in July 1863 shattered Europe's faith that the Confederacy would win. Surprisingly, Confederate credit improved again in mid-1864, probably because of the new plan for government control of cotton exports.

It appears that the Confederates were able to defeat the blockade's primary purpose by running large amounts of war materials through the blockading fleet and into the Confederacy. Thus the Union blockade hurt the Southern war effort not by the classic method of shutting out the ships
carrying guns. Instead, it worked through the relatively slow and indirect process of preventing the Confederacy from buying goods in Europe by obstructing the flow of funds needed to pay for them.
FOOTNOTES


7 "The result of the decree was largely to lend respectability to smuggling." In Potter and Nimitz, Sea Power,


13 Owsley, *King Cotton Diplomacy*, 262n.

14 Schwab, *Confederate States of America*, 238.


16 Many letters testifying to the existence of periods during which no remittances arrived from the Confederacy and purchasing had to stop can be found in the James M. Mason Papers in the Division of Manuscripts of the Library of Congress, in Series II of the *Official Records of the Union and Confederate Navies in the War of the Rebellion* (hereinafter referred to as ORN), and in Series IV of *The War of the Rebellion: A Compilation of the Official Records of the Union and Confederate Armies* (hereinafter referred to as OR).
The most informative sources of information on remittances to Europe in bills of exchange are Requisitions of the War and Navy Departments on the Treasury Department for Funds (National Archives, Washington, D.C.), Letters Sent by the Confederate States Treasurer (Confederate Museum, Richmond, Virginia), Telegrams Sent by the Secretary of the Treasury (National Archives), and Letters Received by the Secretary of the Treasury from John Fraser and Co. (National Archives).

The Mason Papers used in conjunction with the OR and ORN give much information on the various schemes to use cotton as a basis for credit arrangements in Europe.

Record Group 365 at the National Archives, the Mason Papers, and the Francis Lieber Papers at the Henry E. Huntington Library and Art Gallery in San Marino, California give an almost complete picture of transactions concerning the Erlanger loan.

The best single source on official cotton exports is the Fraser, Trenholm and Co. accounts in the Thomas Haines Dudley Collection (Huntington Library). The following sources also supply important information: Letters Received by the Secretary of the Treasury from Louis Heyliger (National Archives), and the letters reproduced in Vandiver, Confederate Blockade Running, OR, and ORN.

The Dudley Collection and the ORN are most informative on income from the sale of ships and the final financial position of the Confederates in Europe.


There has been considerable controversy among historians concerning the possibility of large cotton exports from the Confederacy during the first months of the war. All of the following works contain discussions of this
CHAPTER 2

TRANSFERS OF FUNDS THROUGH BILLS OF EXCHANGE AND GOLD

In April of 1861 the Confederates sent their first agent to Europe. Not until then did they begin to think about providing money over there for the agent's use. John Fraser and Co. of Charleston gave Secretary of the Treasury Christopher G. Memminger the advice that determined policy for the next eighteen months. The firm said that the commercial community always preferred bills of exchange to gold. Even in normal times the insurance and freight charges on gold shipments amounted to about nine and a half per cent of the value of the gold. Bills of exchange, understandably enough, normally sold at a premium of nine and a half per cent. The official rate of exchange was $4.44 in U. S. dollars to £1 sterling, but in all commercial transactions the pound was taken to equal $4.85 to include the premium. During the war the risk of losing the gold on the high seas was much greater, and there was no certainty of insurance. Bills of exchange were always accepted in England for their full value, but they would not be of value to any-
one who might capture them.¹ So the Confederates bought bills of exchange whenever they needed them to fill requisitions for funds in Europe, and no large shipments of gold were made until mid-1863, after the supply of bills of exchange had dwindled.

Shipments of bills of exchange and gold have never received sufficient attention from historians of Confederate finance. Frank Lawrence Owsley and Samuel Bernard Thompson both mentioned them, but they erred in assuming that the bills of exchange were available only for the first eighteen months of the war, when in fact they were in use for two full years. They also assumed that the Confederacy made large shipments of gold during the first years of the war. Richard Cecil Todd, the only other historian to write about this question, understood the subject better, but he also assumed the early gold shipments and limited the use of bills of exchange to the first eighteen months. No historian, however, has ever tried to compute the total amount of funds that bills of exchange and gold did provide in Europe.²

The Confederate Treasury Department provided at least £2,061,327 in bills of exchange for Confederate agents to use in Europe, at a total cost in Confederate money of at least $18,949,622. It is unlikely that any large amount of
bills of exchange beyond this total was sent to Europe. Most of it was sent between April 1861 and March 1863. Gold shipments began in July 1863 and continued until February 1865. The Treasury sent £202,879 in gold through Louis Heyliger, the Confederate depositary at Nassau, and £169,416 through Major Norman S. Walker, the depositary at Bermuda.

I

When the first agents went to Europe, Memminger had made no advance preparations, but he wanted them to have funds immediately. He gave them letters of credit—actually a variation on bills of exchange, and the first method the Confederates used to get money to Europe. Caleb Huse carried letters of credit with him for £10,000 in April 1861, and James D. Bulloch received three letters of credit totaling £41,000 in Liverpool in May.⁴

These letters of credit varied, but apparently the only type that the Confederates ever received funds from was in sterling. Memminger arranged with various Confederate banks to provide funds for an agent, paying the banks a small commission for this service. He gave the bank a figure in dollars and the bank issued the agent a letter of credit in sterling at the current rate. The Confederate agent, when he
got the letter, showed it to a British manufacturer who then
sent the goods to the Confederacy, knowing that the bank's
credit was good even if the agent's or the Confederate
government's was not. When the manufacturer asked for pay-
ment, the Southern bank would send it, usually in bills of
exchange. The bank would then charge the Confederage govern-
ment in dollars for the exchange at the new current rate:
this process took so long that the premium had always risen
by the time payment was due. A letter of credit for
$100,000 might end up costing the government $150,000 or
even more. The letters of credit were really a way of buy-
ing goods abroad with bills of exchange before the bills of
exchange were actually sent. 4

This type of letter of credit was used only a few
times early in the war. English manufacturers accepted
letters of credit because they could depend on the Confederate
bank to pay them. Since the bank's reputation would suffer
evertheless if it ever failed to honor a letter of credit,
banks would no longer issue them when the supply of bills
of exchange had become uncertain. 5

II

Bills of exchange were the most common method of mak-
ing international payments in the nineteenth century. When
a Confederate exporter fulfilled a contract with a buyer in England for a cargo of cotton, he immediately wrote out a bill of exchange in sterling to himself on the British importer for the amount that the importer owed him. The exporter could then ship the bill of exchange to England and have it presented to the importer, who wrote "accepted" across it. (Bills of exchange were never rejected by people who wanted to stay in business.) Bills of exchange were usually payable sixty to ninety days after they were presented in England; once they were marked "accepted" they were as good as gold, or better.

More often, though, instead of sending the bill of exchange to England for acceptance and collection, the Confederate exporter would sell it to a local bank for instant dollars at the prevailing premium. The bank could send it to England for collection or it could hold it and sell it later to the Confederate government or anyone else who was going to England and needed pounds.6

In normal times the supply of bills of exchange in the Confederacy would continue to grow as additional cotton was exported to Europe. After the blockade began, however, the shipments dropped to almost nothing and very few new bills of exchange could be written. The Confederate government
bought the bills of exchange that were held by the local banks and sent them to Europe to provide funds for the agents there. Since the supply could not increase, the number of bills of exchange in the Confederacy decreased rapidly, and in two years they had become virtually unobtainable.

To get bills of exchange to the agents in Europe, the Confederate government went through a rather complicated procedure. The War Department or another department would send a requisition to the Treasury Department for the amount of funds needed. The Treasury Department would issue a warrant to pay the amount of the requisition in dollars, usually to John Fraser and Co. of Charleston, who would use the dollars to buy bills of exchange from Confederate banks. John Fraser and Co. would then send the bills of exchange to Fraser, Trenholm and Co. of Liverpool, who would put them to the credit of the agent.

John Fraser and Co. sent the bills of exchange on their own ships either directly to Liverpool or via Nassau or Bermuda. The bills of exchange were in triplicate and they were made payable to Fraser, Trenholm and Co. In another letter John Fraser and Co. instructed Fraser, Trenholm and Co. to collect on the bills of exchange and put
the proceeds (in pounds) at the disposal of the Confederate agent. Each of the three copies of the bills of exchange was sent on a different ship, and Fraser, Trenholm and Co. took the first copy to reach Liverpool and presented it for payment. Only the endorsee (Fraser, Trenholm and Co.) could collect on these bills of exchange, so there was no risk of loss if any of the copies were captured, and there is no indication that any of these bills of exchange went astray.7

From the time the requisition was presented to the Treasury to the time that the funds were available to the agents in Europe was usually ninety to one hundred days. Sometimes, though, Fraser, Trenholm and Co. would make the funds available sooner. Once the bills of exchange had reached Liverpool and had been accepted by the firm on which they were drawn, the money was sure to be there by the expiration date on the bills of exchange. Fraser, Trenholm and Co. frequently paid the money to the Confederate agents immediately out of their own funds and then paid the proceeds of the bills of exchange into their own account later.8

At the beginning of the war all of the bills of exchange were sent to Fraser, Trenholm and Co. on War Department or Navy Department warrants for the use of the
government agents. Early in 1862, however, the Treasury Department began to send funds to Europe on Treasury Department warrants. At first this money went for bank note paper, ink, lithographers' tools, and stamps that the Treasury Department needed from Europe. Eventually this account was turned into a general fund for all European agents, to be used in emergencies and to allow transfers of funds from one account to another. 9

Again in 1862 a change was made in the Confederate government's procedure for sending bills of exchange to Europe. For the first year and a half of the war, none of the Treasury Department records separated the money paid out for bills of exchange from the money paid out for the premium. Each requisition and warrant pair that was issued for a transaction showed only the total amount. Sometimes the total of the bills of exchange or the premium paid was given, often on Navy Department requisitions and seldom in War Department ones. The premium in these cases was calculated on the basis of $4.44 per pound.

After September 1862 two requisitions and warrants were issued for each transaction. The first pair gave the amount in dollars that was paid for a bill of exchange, calculating at the rate of $4.85 per pound. The second pair
gave the total cost of the premium. Later, when warrants for funds abroad were filled by other means, it was customary to issue all of the warrants with the premium at two hundred per cent on $4.85 per pound.\textsuperscript{10}

This policy of issuing a separate warrant for the premium was developed because of the premium's astonishing rise. From nine and a half per cent in April 1861, the premium increased to twenty-five per cent by December 1861, to one hundred per cent by August 1862, and to over two hundred per cent by January 1863.\textsuperscript{11} The War Department and Navy Department were rapidly exhausting their money on premiums before the Treasury Department began to pay the premiums from a special appropriation.

The way the premium shot up reflected a real decline in the number of bills of exchange available. In April, and again in August of 1862, John Fraser and Co. recommended that no more bills of exchange be sold to private individuals. In the firm's opinion, private citizens needed bills of exchange only for illicit trade with the enemy. The firm pointed out that legitimate trade did not require bills of exchange, since every ship that came in took payment in cotton for the goods it brought. In May 1862, Memminger saw that the supply of bills was declining swiftly and
ordered that each department should get its share of what remained. As the shortage became acute, haphazard and groping efforts were made to get money to Europe by exporting cotton or sending Treasury bonds for sale abroad. But the Treasury Department was reluctant to give up the method that it relied on, and bills of exchange continued to be sent to Europe in tiny amounts throughout the war.\textsuperscript{12}

III

After Memminger had made the initial decision to send funds in bills of exchange rather than gold, the Treasury Department found it hard to begin shipping gold in bulk to Europe regularly two years later. The government, though, did use gold for various purposes in the first year of the war. Small amounts were given to Confederate ships for cruising funds, and even smaller amounts were issued to Confederate agents traveling outside the South. The largest single use of gold in the early part of the war was to pay the Confederacy's treaty obligations to the Indian tribes which joined in the rebellion. The Trans-Mississippi Department also used a lot of gold. Texans never liked to use Confederate dollars, and various bureaus of the Army in Texas regularly bought commissary and quartermasters' goods and horses and paid for wagon transport in gold. Some of
this gold came from the Treasury Department in Richmond, but most of it was collected under an order by the commander of the Confederate forces at Brownsville. He required that when cotton was sent across the Rio Grande, the exporter must turn in five dollars in gold for every bale. In return, the commander gave the exporter five Confederate dollars.¹³

In mid-1862 Confederate officials in Richmond began to plan how to ship gold to Europe on a large scale. Along with the alarm about the decreasing supply of bills of exchange, what probably fanned their interest was $2.5 million in gold that the Confederacy had available after confiscating it from banks in Louisiana. On October 21, 1862, Memminger ordered that the plans for shipping gold be stopped. He then tried to find a way to use the gold without actually shipping it to Europe. He theorized that if the gold was legally owed to a Confederate creditor who was a British subject, the British Navy would send a British warship to escort the British property through the blockade to Britain. Memminger wrote to James Spence, his agent in England suggesting this maneuver. In December Spence wrote that he doubted if it would work, but it was not until May 9, 1863, that Spence actually recommended that the plan be
dropped and that the government ship the gold. In January 1863, while Spence was making up his mind, the Confederacy's largest creditor abroad, Saul Isaac, Campbell and Co., agreed to accept £50,000 in gold inside the Confederacy as part payment of the amount owed them—apparently hoping that Memminger's plan would eventually work. 14

The Treasury Department resumed its efforts to ship gold in February 1863, but no shipments were made before July. Beginning then, most fast steamers leaving Wilmington, North Carolina, carried one keg of gold coin worth $25,000. When the blockade runner reached Nassau or Bermuda, the captain gave the keg to the Confederate depositary there. The depositary then counted the gold, sold it for bills of exchange, and sent the bills of exchange to Fraser, Trenholm and Co. The size of these shipments increased about May 1864. From then until February 1865, when Union forces captured Fort Fisher near Wilmington and the shipments stopped, steamers often carried $100,000 in gold for the Confederate government. 15

All of these shipments were in coin, but on at least one occasion the Confederacy shipped a large quantity of bullion. In July 1864, Fraser, Trenholm and Co. credited over £31,000 to the Treasury Department's account. This
was the proceeds from the sale of bullion received in Bermuda by the Harriet Pinckney. The one other attempt to obtain money for use in Europe from the sale of bullion never actually supplied funds for the Confederates. In the summer of 1863, the Confederate cruiser Florida captured a large quantity of bars of silver from the merchant ship B. F. Hoxie. While the Florida was at Bermuda in July the silver was transferred to the British ship Eagle and sent to Liverpool. The silver was shipped as the property of John Tory Bourne, a British subject in Bermuda who often assisted the Confederacy. But all this was done without taking the silver to a prize court, and the British insurance company for the cargo of the B. F. Hoxie sued for the recovery of the silver. Fraser, Trenholm and Co., after consulting with their lawyers and the Confederates in Europe, decided to try to settle the case out of court. The silver was worth £19,951, but the Confederates never got to use any of it.

Gold shipments and letters of credit never were as important in transferring funds to Europe as bills of exchange. Detailed study of all three of these methods shows that bills of exchange were far more important and that they remained important through the spring of 1863.
IV

Letters of credit were involved in two important transactions. When Caleb Huse went to Europe in April 1861 he carried two letters of credit with him, each for £5,000. Memminger had arranged these letters of credit through John Fraser and Co. and the Bank of Charleston. In May 1861, Memminger asked John Fraser and Co. to arrange credit for James D. Bulloch. John Fraser and Co. immediately sent Bulloch a letter of credit on themselves for £5,000, and within a week they arranged for two letters for £18,000 each to be sent through the Bank of Charleston. These reached Bulloch on July 27. In May 1861 Major Edward C. Anderson carried a letter of credit for £5,000 with him when he went to Europe to check on Huse's performance. Memminger arranged the letter of credit with Fraser, Trenholm and Co. through John Fraser and Co. But Anderson was only in Europe about six months, and apparently he never used his credit. 18

As shipments of bills of exchange became more regular, the Treasury Department stopped using letters of credit. But in May 1862, when the supply of bills of exchange was getting short and Huse's creditors were pressing him for payment, Memminger decided to try again. He asked John Fraser and Co. if they could arrange a letter of credit for Huse for $1
million. The firm replied that the supply of bills of exchange was too unstable for them to be sure of backing up a letter of credit. This method of transferring funds does not appear again in the Confederate correspondence. 19

The Treasury Department did issue other "letters of credit," but these had nothing to do with transferring funds in Europe. Sometimes Memminger wrote a letter to Fraser, Trenholm and Co. or to one of the agents in Europe, directing them to extend credit to a particular person. The most important of these was a letter received by Fraser, Trenholm and Co. in October 1862 requiring them to extend $500,000 in credit to James B. Ferguson. Memminger expected to pay Fraser, Trenholm and Co. back eventually out of the proceeds from the sales of bonds or cotton. 20 Another scheme Memminger tried was to send a letter to an agent announcing that the Secretary of the Treasury of the Confederate States of America would pay up to a certain amount of money on the agent's demand. Memminger hoped that contracts could be made with these letters before the actual funds were transferred to Europe. Huse carried one of these letters for $200,000 with him when he went to Europe, and in May 1861 he said it was useless. 21 This method of transferring funds was successful only with the five real letters of credit totalling
£51,000 that were sent to Huse and Bulloch in the spring of 1861.

V

The total of funds transferred to Europe by bills of exchange is comparatively difficult to calculate. Bills of exchange were used throughout the war, but the records on them that have been found are fragmentary and often cover only a short period of the war. The accounts Fraser, Trenholm and Co. kept of Confederate funds that they received and distributed through bills of exchange are excellent. Unfortunately, the only portion yet discovered covers the period from December 1863 until after the war. The War and Navy Department requisitions provide the single best source of information on the Confederacy's use of bills of exchange. The requisitions show the date on which funds were to be spent on bills of exchange, and the Navy requisitions often give the premium to be paid. This information is invaluable, and both the War and Navy Department records are complete from the beginning of the war until late in 1863. But no complete series of Treasury Department requisitions or warrants has been found, so information on the Treasury Department's and the State Department's use of bills of exchange must be found from several fragmentary series of letters.
Letters between Memminger and John Fraser and Co. are especially informative. The John Fraser and Co. letters extend from April 1861 through 1862, but many are missing, and the Memminger letters are complete only through 1861. 22

No government agency ever attempted to find a total for the bills of exchange that had been sent or spent abroad. Several lists of warrants for money to be sent abroad have been found, but the entries are invariably in dollars and only in one case is the premium noted. Because the information is so scattered, and because the premium was constantly changing, it is necessary to examine each transaction to discover the total amount of money sent abroad in bills of exchange. 23

Both the Navy Department and the War Department began to rely in mid-1863 on the proceeds of the cotton sales and the Erlanger loan, instead of the rapidly disappearing bills of exchange. Thus it can be assumed that the requisitions include very nearly all the bills of exchange that were sent on these departments' accounts. Large shipments of bills of exchange for the Treasury Department have also been documented, but since these records are fragmentary, additional large amounts may have been sent. The totals that emerge are therefore good estimates for the War and Navy Departments
and a minimum figure for the Treasury Department.

Government transactions that may or may not have involved bills of exchange have not been included in these totals. Since the State Department records on the subject of funds sent abroad for salaries and so on are so incomplete, no attempt has been made to total them. Other small amounts such as the agents' traveling allowances have similarly been excluded. And on many occasions large amounts of Treasury notes were paid to John Fraser and Co. to buy portions of privately imported cargoes for the government or to pay the freight and charges on government goods imported from England or the Caribbean islands. There is no direct evidence that John Fraser and Co. converted the Treasury notes into bills of exchange; in fact, the importers probably took their payment in Treasury notes and used the notes to buy cotton for export. So these transactions have also been excluded. Table I is a concise listing of the well-documented Confederate shipments of bills of exchange to Europe.
<table>
<thead>
<tr>
<th>Warrant &amp; Number</th>
<th>Date of Warrant</th>
<th>To Whom Issued</th>
<th>Face Value of Warrant</th>
<th>Bills of Exchange</th>
<th>Premium Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. War 33</td>
<td>18 Apr 61</td>
<td>J.F.&amp;Co. for Huse</td>
<td>$ 54,000.</td>
<td>£10,000.</td>
<td>9 1/2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>878. 1. 7</td>
<td>37%</td>
</tr>
<tr>
<td>2. War 78</td>
<td>2 May 61</td>
<td>Walsh for Huse</td>
<td>44,444.44</td>
<td>10,000.</td>
<td>par</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+29</td>
</tr>
<tr>
<td>3. Navy 18</td>
<td>15 May 61</td>
<td>Bulloch</td>
<td>400,000.</td>
<td>90,000.</td>
<td>par</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>4. ? 1864</td>
<td>Jun 61</td>
<td>Huse &amp; Anderson</td>
<td>333,333.33</td>
<td>75,000.*</td>
<td>par*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31</td>
</tr>
<tr>
<td>5. War 566</td>
<td>15 Aug 61</td>
<td>J.F.&amp;Co.</td>
<td>248,333.33</td>
<td>50,000.*</td>
<td>12%*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>6. War 3116</td>
<td>24 Aug 61</td>
<td>Huse</td>
<td>24,888.89</td>
<td>5,000.*</td>
<td>12%*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>33</td>
</tr>
<tr>
<td>7. War 705</td>
<td>29 Aug 61</td>
<td>Huse</td>
<td>250,000.</td>
<td>50,000.</td>
<td>12 1/2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+34</td>
</tr>
<tr>
<td>8. War 951</td>
<td>24 Sep 61</td>
<td>J.F.&amp;Co. to buy exchange for Benjamin for Huse</td>
<td>500,000.</td>
<td>100,000.*</td>
<td>12 1/2%*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>35</td>
</tr>
<tr>
<td>9. Navy 82</td>
<td>25 Sep 61</td>
<td>J.F.&amp;Co. to buy exchange for North</td>
<td>100,000.</td>
<td>20,492. +</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36</td>
</tr>
</tbody>
</table>

* Estimated + Calculated
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<tr>
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</thead>
<tbody>
<tr>
<td>10. War 1266</td>
<td>21 Oct 61</td>
<td>J.F.&amp;Co. for Huse</td>
<td>$1,031.52</td>
<td>£193.10.0*</td>
<td>20%*37</td>
</tr>
<tr>
<td>11. War* 25 Oct 61*</td>
<td>Ferguson</td>
<td></td>
<td>50,000.</td>
<td>cancelled</td>
<td>--38</td>
</tr>
<tr>
<td>12. War 1777</td>
<td>30 Nov 61</td>
<td>Heyliger for Helm</td>
<td>25,000.</td>
<td>£4,504.10.0*</td>
<td>25%*39</td>
</tr>
<tr>
<td>13. Navy 125</td>
<td>2 Dec 61</td>
<td>J.F.&amp;Co. to buy exchange for Bulloch</td>
<td>75,000.</td>
<td>13,515.+</td>
<td>25%40</td>
</tr>
<tr>
<td>15. Treas* Jan-8 Feb 62</td>
<td>Treasury Department</td>
<td>992,728.50*</td>
<td>172,050.</td>
<td>30%42</td>
<td></td>
</tr>
<tr>
<td>16. War 23 Jan 62</td>
<td>Huse</td>
<td>461,600.</td>
<td>80,000.</td>
<td>30%+43</td>
<td></td>
</tr>
<tr>
<td>17. Treas* 4 Feb 62*</td>
<td>Treasury Department</td>
<td>69,240.*</td>
<td>12,000.</td>
<td>30%*44</td>
<td></td>
</tr>
<tr>
<td>18. War 15 Feb 62</td>
<td>Huse</td>
<td>300,000.</td>
<td>46,584.*</td>
<td>45%*45</td>
<td></td>
</tr>
</tbody>
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<tbody>
<tr>
<td>19. Treaty</td>
<td>20 Feb 62</td>
<td>Treasury Department</td>
<td>$322,000.*</td>
<td>£50,000.</td>
<td>45%*</td>
</tr>
<tr>
<td>20. War 173</td>
<td>8 Mar 62</td>
<td>Huse</td>
<td>500,000.</td>
<td>77,640.*</td>
<td>45%*</td>
</tr>
<tr>
<td>21. Navy 22 Mar 62</td>
<td>North</td>
<td>150,000.</td>
<td>cancelled</td>
<td>--</td>
<td>48</td>
</tr>
<tr>
<td>22. Navy 32</td>
<td>29 Mar 62</td>
<td>J.F.&amp;Co. to buy exchange for North</td>
<td>240,000.</td>
<td>£33,750.</td>
<td>60%*</td>
</tr>
<tr>
<td>23. War 507</td>
<td>15 Apr 62</td>
<td>Postell (charge Huse)</td>
<td>1,230.</td>
<td>168.*</td>
<td>65%*</td>
</tr>
<tr>
<td>24. Navy 58</td>
<td>22 Apr 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>328,515.85</td>
<td>40,344.7.9</td>
<td>80% &amp; 85%</td>
</tr>
<tr>
<td>25. Navy 59</td>
<td>22 Apr 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>308,000.</td>
<td>42,000.</td>
<td>65%</td>
</tr>
<tr>
<td>26. Navy 60</td>
<td>22 Apr 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>83,110.28</td>
<td>11,000.</td>
<td>70%</td>
</tr>
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<tr>
<td>27. Navy 61</td>
<td>23 Apr 62</td>
<td>P.C. Williams to buy exchange for the Navy Department</td>
<td>$ 6,986.83</td>
<td>£ 587.4.10 &amp; f 8,000.</td>
<td>70%54</td>
</tr>
<tr>
<td>29. Navy 68</td>
<td>26 Apr 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>155,555.55</td>
<td>20,000.</td>
<td>75%56</td>
</tr>
<tr>
<td>30. Navy 71</td>
<td>28 Apr 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>70,357.40</td>
<td>9,341.8.9</td>
<td>65% &amp; 70%57</td>
</tr>
<tr>
<td>31. Navy 73</td>
<td>28 Apr 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>64,040.</td>
<td>8,000.</td>
<td>85%58</td>
</tr>
<tr>
<td>32. Navy 74</td>
<td>29 Apr 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>18,666.67</td>
<td>2,400.</td>
<td>75%59</td>
</tr>
<tr>
<td>33. Navy 7 May 62</td>
<td>7 May 62</td>
<td>error in Navy Warrant 73</td>
<td>1,959.84</td>
<td>part of £8,000 above</td>
<td>--60</td>
</tr>
</tbody>
</table>

* Estimated    + Calculated
### TABLE I - CONTINUED

<table>
<thead>
<tr>
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<tr>
<td>34. Navy 85</td>
<td>20 May 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>$9,721.72</td>
<td>£1,286.84</td>
<td>70% &amp; 75%</td>
</tr>
<tr>
<td>35. Navy 88</td>
<td>30 May 62</td>
<td>J.F.&amp;Co. to buy exchange for Maffitt</td>
<td>50,000.</td>
<td>9,000.</td>
<td>25% 62</td>
</tr>
<tr>
<td>36. War 878</td>
<td>2 Jun 62</td>
<td>J.F.&amp;Co. for Huse</td>
<td>559,111.</td>
<td>66,245.*</td>
<td>90% 63</td>
</tr>
<tr>
<td>37. Navy 115</td>
<td>11 Aug 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>155,676.87</td>
<td>17,073.2.1</td>
<td>100% &amp; 110% 54</td>
</tr>
<tr>
<td>38. Navy 116</td>
<td>11 Aug 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>115,551.40</td>
<td>12,999.10.8</td>
<td>110% 55</td>
</tr>
<tr>
<td>39. Navy 118</td>
<td>13 Aug 62</td>
<td>J.F.&amp;Co. to buy exchange for the Navy Department</td>
<td>444,444.44</td>
<td>50,000.</td>
<td>100% 66</td>
</tr>
<tr>
<td>40. War 1322</td>
<td>14 Aug 62</td>
<td>Wilkinson to buy exchange</td>
<td>160,000.</td>
<td>18,018.*</td>
<td>100% 67</td>
</tr>
</tbody>
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<th>Date of Warrant</th>
<th>To Whom Issued</th>
<th>Face Value of Warrant</th>
<th>Bills of Exchange</th>
<th>Premium Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>41. War 1327</td>
<td>15 Aug 62</td>
<td>Huse to buy exchange</td>
<td>$150,000.</td>
<td>£16,892.*</td>
<td>100%*68</td>
</tr>
<tr>
<td>42. War 1361</td>
<td>15 Aug 62</td>
<td>Wilkinson to buy exchange</td>
<td>350,000.</td>
<td>39,415.*</td>
<td>100%*69</td>
</tr>
<tr>
<td>43. Treast 18 Aug 62*</td>
<td>Treasury Department</td>
<td>39,613.*</td>
<td>£450,000.</td>
<td>--70</td>
<td></td>
</tr>
<tr>
<td>44. War 1351</td>
<td>19 Aug 62</td>
<td>Ferguson</td>
<td>2,000,000.</td>
<td>cancelled</td>
<td>--71</td>
</tr>
<tr>
<td>45. War 11 Sep 62</td>
<td>Henry Adderly &amp; Co.</td>
<td>8,177.50</td>
<td>cancelled</td>
<td>--72</td>
<td></td>
</tr>
<tr>
<td>46. War 24 Sep 62</td>
<td>1639-40</td>
<td>Ferguson</td>
<td>533,333.33</td>
<td>£50,000.</td>
<td>120%* on $4.85 73</td>
</tr>
<tr>
<td>47. War 6 Oct 62</td>
<td>Ferguson</td>
<td></td>
<td>cancelled</td>
<td>--74</td>
<td></td>
</tr>
<tr>
<td>48. War 6 Oct 62</td>
<td>Ferguson</td>
<td></td>
<td>cancelled</td>
<td>--75</td>
<td></td>
</tr>
<tr>
<td>49. Navy 11 Oct 62</td>
<td>Ritchie for Lafitte</td>
<td>$25,580.41</td>
<td>£2,238.*</td>
<td>157 1/2%* on $4.44 76</td>
<td></td>
</tr>
</tbody>
</table>

* Estimated  + Calculated
TABLE I - CONTINUED

<table>
<thead>
<tr>
<th>Warrant &amp; Number</th>
<th>Date of Warrant</th>
<th>To Whom Issued</th>
<th>Face Value of Warrant</th>
<th>Bills of Exchange</th>
<th>Premium Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>50. Navy 153</td>
<td>15 Oct 62</td>
<td>Ritchie for J.F.&amp;Co.</td>
<td>$ 49,272.31</td>
<td>£ 4,305.70</td>
<td>157 1/2% on</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$4.4477</td>
</tr>
<tr>
<td>51. War 30 Oct 62</td>
<td></td>
<td>Huse</td>
<td>3,000,000.</td>
<td>cancelled</td>
<td>-- 78</td>
</tr>
<tr>
<td>52. Treas* 6 Nov-16 Dec 62</td>
<td>Treasury Department</td>
<td>454,805.*</td>
<td>£32,000. &amp; f818,000.</td>
<td>185%* on</td>
<td>$4.8579</td>
</tr>
<tr>
<td>53. War 11 Nov 62</td>
<td>Heyliger</td>
<td>10,972.50</td>
<td>cancelled</td>
<td>-- 80</td>
<td></td>
</tr>
<tr>
<td>54. War 13 Nov 62</td>
<td>N.S.Walker</td>
<td>63,333.33</td>
<td>£ 5,000.</td>
<td>185%+ on</td>
<td>$4.4481</td>
</tr>
<tr>
<td>55. War 15 Nov 62</td>
<td>Heyliger</td>
<td>10,972.50</td>
<td>950.</td>
<td>138%+ on</td>
<td>$4.8582</td>
</tr>
<tr>
<td>56. Navy 1990-1</td>
<td>Dec 62</td>
<td>J.F.&amp;Co. for Semmes</td>
<td>24,000.</td>
<td>4,000.</td>
<td>35%+ on</td>
</tr>
<tr>
<td>57. War 3 Dec 62</td>
<td>Lee for Henry Adderly &amp; Co.</td>
<td>21,678.67</td>
<td>1,627.*</td>
<td>175%* on</td>
<td>$4.8584</td>
</tr>
</tbody>
</table>

* Estimated  + Calculated
<table>
<thead>
<tr>
<th>Warrant &amp; Number</th>
<th>Date of Warrant</th>
<th>To Whom Issued</th>
<th>Face Value of Warrant</th>
<th>Bills of Exchange</th>
<th>Premium Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>58. Treas* 24 Dec 62*</td>
<td>Treasury Department</td>
<td>$675,411.*</td>
<td>£46,420.3.7</td>
<td>200%* on $4.85 85</td>
<td></td>
</tr>
<tr>
<td>59. Treas* 26-30 Dec 62</td>
<td>Treasury Department</td>
<td>336,900.*</td>
<td>20,250. &amp; £355,000.</td>
<td>200%* on $4.85 86</td>
<td></td>
</tr>
<tr>
<td>60. War 31 Dec 62</td>
<td>Elmore to the credit of Huse</td>
<td>999,000.</td>
<td>cancelled</td>
<td>-- 87</td>
<td></td>
</tr>
<tr>
<td>61. War* Jan-Feb 63</td>
<td>S.Isaac, Campbell &amp;.1,091,250.* Company</td>
<td>£75,000.</td>
<td>200%* on $4.85 88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>62. Navy 2 Jan 63 205</td>
<td>J.F.&amp;Co.</td>
<td>15,000.</td>
<td>1,030.18.7</td>
<td>200% on $4.85 89</td>
<td></td>
</tr>
<tr>
<td>63. War 5 Jan 63 2280-1</td>
<td>F.T.&amp;Co. to the credit of Huse</td>
<td>999,000.</td>
<td>74,925.+</td>
<td>175%+ on $4.85 90</td>
<td></td>
</tr>
<tr>
<td>64. War 7 Jan 63 2294-5</td>
<td>Wilkinson</td>
<td>80,000.</td>
<td>6,000.</td>
<td>171%+ on $4.85 91</td>
<td></td>
</tr>
<tr>
<td>65. Treas* 8-9 Jan 63</td>
<td>Treasury Department</td>
<td>143,405.*</td>
<td>9,855.14.1</td>
<td>200%* on $4.85 92</td>
<td></td>
</tr>
</tbody>
</table>

* Estimated + Calculated
<table>
<thead>
<tr>
<th>Warrant &amp; Number</th>
<th>Date of Warrant</th>
<th>To Whom Issued</th>
<th>Face Value of Warrant</th>
<th>Bills of Exchange</th>
<th>Premium Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navy 210&amp; 212</td>
<td>12 Jan 63</td>
<td>Moses to buy exchange</td>
<td>$164,948.45</td>
<td>£12,371.⁺</td>
<td>175⁺ on $4.85 93</td>
</tr>
<tr>
<td>67. Treas* 13 Jan-6 Feb 63</td>
<td>Treasury Department</td>
<td>380,986.*</td>
<td>13,748.6.8 &amp; £1,520,000.</td>
<td>200* on $4.85 94</td>
<td></td>
</tr>
<tr>
<td>68. War 11 Feb 63</td>
<td>F.T.&amp;Co. to the credit of Huse</td>
<td>1,000,000.</td>
<td>cancelled</td>
<td>-- 95</td>
<td></td>
</tr>
<tr>
<td>69. War 2503-4</td>
<td>12 Feb 63</td>
<td>F.T.&amp;Co. to the credit of Huse</td>
<td>1,000,000.</td>
<td>£75,000.</td>
<td>175⁺ on $4.85 96</td>
</tr>
<tr>
<td>70. War 2593-4</td>
<td>26 Feb 63</td>
<td>F.T.&amp;Co. to the credit of Huse</td>
<td>133,333.33</td>
<td>10,000.</td>
<td>175⁺ on $4.85 97</td>
</tr>
<tr>
<td>71. War 2595-6</td>
<td>26 Feb 63</td>
<td>F.T.&amp;Co. to the credit of Huse</td>
<td>133,333.33</td>
<td>10,000.</td>
<td>175⁺ on $4.85 98</td>
</tr>
<tr>
<td>72. Navy 238</td>
<td>4 Mar 63</td>
<td>J.F.&amp;Co. to buy exchange</td>
<td>57,646.33</td>
<td>3,831.9.9</td>
<td>235% on $4.44 99</td>
</tr>
</tbody>
</table>

* Estimated  + Calculated
<table>
<thead>
<tr>
<th>Warrant &amp; Number of Warrant</th>
<th>Date of Warrant</th>
<th>To Whom Issued</th>
<th>Face Value of Warrant</th>
<th>Bills of Exchange</th>
<th>Premium Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>73. Navy 4 Mar 63 241-2</td>
<td></td>
<td>J.F.&amp;Co. to buy exchange</td>
<td>$82,247.05</td>
<td>£6,168.10.7</td>
<td>200% on $4.44 100</td>
</tr>
<tr>
<td>74. Navy 26 Mar 63 257-8</td>
<td></td>
<td>Helm to buy exchange</td>
<td>102</td>
<td></td>
<td>200% on $4.85 101</td>
</tr>
<tr>
<td>75. War 25 May 63 3116</td>
<td></td>
<td>J.F.&amp;Co. (charge Huse)</td>
<td>24,888.89</td>
<td>(same as number 6)</td>
<td>102</td>
</tr>
<tr>
<td>76. Treas† 21 Jul 63</td>
<td></td>
<td>Treasury Department</td>
<td>2,052.*</td>
<td>£140.13.3</td>
<td>200%* on $4.85 103</td>
</tr>
<tr>
<td>77. War 16 Sep 63 3892-3</td>
<td></td>
<td>McRae to the credit of Huse</td>
<td>1,333,333.33</td>
<td>100,000.</td>
<td>175%* on $4.85 104</td>
</tr>
<tr>
<td>78. War 6 Oct 63 4017-8</td>
<td></td>
<td>McRae to buy sterling for Crenshaw</td>
<td>533,333.33</td>
<td>40,000.</td>
<td>175%* on $4.85 105</td>
</tr>
<tr>
<td>79. 1 Jan 64</td>
<td></td>
<td>Joseph Walker</td>
<td>291,000.*</td>
<td>20,000.</td>
<td>200%* on $4.85 106</td>
</tr>
</tbody>
</table>

* Estimated  + Calculated
<table>
<thead>
<tr>
<th>Warrant &amp; Number</th>
<th>Date of Warrant</th>
<th>To Whom Issued</th>
<th>Face Value of Warrant</th>
<th>Bills of Exchange</th>
<th>Premium Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>80.</td>
<td>30 Mar 64</td>
<td>James P. Holcombe</td>
<td>$75,005.*</td>
<td>£5,154.12.9</td>
<td>200%* on $4.85</td>
</tr>
<tr>
<td>81.</td>
<td>28 Apr 64</td>
<td>Jacob Thompson</td>
<td>900,000.</td>
<td>61,856.*</td>
<td>200%* on $4.85</td>
</tr>
<tr>
<td>82.</td>
<td>17 Sep 64</td>
<td>James P. Holcombe</td>
<td>29,966.*</td>
<td>2,059.10.0</td>
<td>200%* on $4.85</td>
</tr>
<tr>
<td>83.</td>
<td>28 May 64-65</td>
<td>Treasury Department</td>
<td>704,627.*</td>
<td>48,428.5.9</td>
<td>200%* on $4.85</td>
</tr>
<tr>
<td>84.</td>
<td>8 Nov 64-10 Jan 65</td>
<td>Navy Department</td>
<td>203,700.*</td>
<td>14,000.</td>
<td>200%* on $4.85</td>
</tr>
<tr>
<td>85.</td>
<td>9 Jan 65</td>
<td>Nitre &amp; Mining Bureau</td>
<td>87,300.*</td>
<td>6,000.</td>
<td>200%* on $4.85</td>
</tr>
<tr>
<td>86.</td>
<td>28 Mar 65</td>
<td>J.M. Strother</td>
<td>160,050.*</td>
<td>11,000.</td>
<td>200%* on $4.85</td>
</tr>
</tbody>
</table>

* Estimated  + Calculated
There are several entries in this table that require special attention. The first entry, $54,000, was intended to cover Huse's two letters of credit totalling £10,000. Instead, John Fraser and Co. let the letters of credit stand and used the money to send Huse £10,000 in bills of exchange. In early 1862, about $5,000 that was left over from the purchase of the £10,000 in bills of exchange was used to buy more bills of exchange for Huse.

The premiums on six of the entries--numbers 10, 18, 20, 23, 36, and 81--had to be estimated because very little information about the premium was available. In each case the premiums paid during the month before and the month after the date of the premium in question were used to calculate the probable premium. Although errors are possible in these estimates, the total error probably does not exceed £30,000, which is only one and one-half per cent of the total funds remitted. The other entries that required an estimated premium were close enough in time to entries with documented premiums that the error should be small.

The other problem was how to determine when transfers of funds through bills of exchange ceased and other means of transferring or raising funds began. The Treasury Department continued to issue requisitions and warrants
with a two hundred per cent premium on a $4.85 pound, even when the funds were supplied by the Erlanger loan or the cotton shipments instead of by bills of exchange. Luckily, one listing of warrants shows what requisitions were planned to be filled from the Erlanger loan.\textsuperscript{114} It may be assumed that the requisitions made after the Erlanger funds were exhausted were filled from the gold shipments or cotton proceeds, not by any large amounts of bills of exchange. This leaves just two entries in question—numbers 77 and 78 of September and October 1863. There is no indication that these warrants were to be filled from the Erlanger loan. Nor is there any indication in the previously mentioned sources of any efforts to buy bills of exchange for them. But there is a six month lapse between the previous large shipment of bills of exchange and this one. It is at least possible that these two requisitions never were filled, at least by bills of exchange, and therefore the £140,000 involved is not included in the total.

From Table I it is possible to compile a summary of the total amount of funds documented as having been transferred to Europe in bills of exchange.
<table>
<thead>
<tr>
<th>Period</th>
<th>War</th>
<th>Navy</th>
<th>Treasury</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st six months</td>
<td>£300,000</td>
<td>£110,492</td>
<td>--------</td>
<td>£410,492</td>
</tr>
<tr>
<td>(Apr-Sep 61)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd six months</td>
<td>209,800.1.7</td>
<td>47,944.</td>
<td>£234,050.</td>
<td>491,794</td>
</tr>
<tr>
<td>(Oct 61--Mar 62)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd six months</td>
<td>190,738.</td>
<td>260,070.17.4</td>
<td>18,000.</td>
<td>468,808.17.4</td>
</tr>
<tr>
<td>(Apr-Sep 62)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4th six months</td>
<td>258,502.</td>
<td>33,952.5.11</td>
<td>229,139.</td>
<td>521,593.5.11</td>
</tr>
<tr>
<td>(Oct 62--Mar 63)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of war</td>
<td>--------</td>
<td>--------</td>
<td>168,639.1.9</td>
<td>168,639.1.9</td>
</tr>
<tr>
<td>(Apr 63--Apr 65)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>£959,040.</td>
<td>£452,459.3.3</td>
<td>£649,828.6.1</td>
<td>£2,061,327.5.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Several surprising facts emerge here. Historians have always stated that bills of exchange were important mainly during the first eighteen months of the war. But it is apparent that large quantities were sent throughout the first two years of the war. Since transferring funds by this method usually took ninety days, the Confederate agents were probably still receiving the proceeds of bills of exchange through the summer of 1863.

The sharp decline in the shipments of bills of exchange after March 1863 came in response to the rise of the premium and the new sources of funds—the Erlanger loan and the cotton exports. Despite the increasing premium, for the first two years of the war approximately £500,000 in bills of exchange were shipped in each six month period, and on the whole the size of the shipments increased. The shortage of funds which developed in Europe during 1862 was caused by the agents' increasing purchases, rather than by a decline in the flow of bills of exchange. The Treasury Department could not ship enough bills of exchange to keep pace with the expanding purchasing, and the result was that not enough supplies could be bought to meet the Confederacy's growing needs.
Table II also shows an unsuspected distribution of funds among the various departments. Earlier historical attention to purchasing in Europe has always centered on the Navy Department; Memminger himself was convinced that the Navy had received the lion's share of the funds.\textsuperscript{116} But the Navy received only a little more than half as much as the real lion, the War Department.\textsuperscript{117} The Treasury Department received an extraordinarily large amount also. These bills of exchange were used to pay for that department's imports in the first year of the war, but later most of the funds probably went into the Treasury Department's general fund for eventual distribution to the War and Navy Departments' agents.

VI

Finding the total funds that were provided by gold shipments is even harder. For this the sources are even more fragmentary, and sometimes ambiguous. The first large scale use of gold to meet commitments in Europe occurred in January 1863, when the Confederacy paid William Battersby of Savanna £50,000 in gold as part payment of the sum Huse owed Saul Isaac, Campbell and Co.\textsuperscript{118} Small amounts were used earlier, as traveling allowances, for instance, but only the sizable amounts of gold shipped abroad to meet
commitments there will be considered.

The single most important source for this information is Fraser, Trenholm and Co.'s records of Confederate transactions, which begin in December 1863. They provide an almost complete account of the bills of exchange that Heyliger, the Confederate depositary in Nassau, sent them for the gold he had received and sold. These records, together with letters between Heyliger and the Confederate Treasurer, permit an accurate calculation of the amount of gold shipped through Nassau. Fraser, Trenholm and Co.'s records continue until after the war was over, so there is no doubt that they list all of the shipments. If proof is needed, the records show that the last bills of exchange the firm received from Heyliger arrived in March 1865, just about a month after Wilmington was captured. Figuring out when the first shipment took place was a bit more complicated. A letter dated January 8, 1864 from the Confederate Treasurer indicates that the Treasury Department's gold shipments to Heyliger up to that date totalled $69,400. Thus the first shipment for the Treasury Department must be the September 15, 1863 entry in Table III. The earlier entries are the four and only shipments for the Post Office Department.
All the shipments of gold to Nassau are summarized in Table III. The total of the bills of exchange that Fraser, Trenholm and Co. received from Heyliger as the proceeds of gold sales is £198,899.4.11. Adding £3,980, which Fraser, Trenholm and Co. received before they began keeping the accounts, gives the total proceeds of gold shipments to Nassau--£202,879.4.4.
### Table III—Gold Shipments to Nassau

<table>
<thead>
<tr>
<th>Date of Shipment</th>
<th>Shipment</th>
<th>Value of Coin</th>
<th>Value of Bills of Exchange</th>
<th>Date Bills Received by F.T.&amp;Co.</th>
<th>Value of Bills Received by F.T.&amp;Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 Dec 63</td>
<td>$15,000 per Eugenie</td>
<td>£3,125</td>
<td>£3,125</td>
<td>9 Jan 64</td>
<td>£3,125</td>
</tr>
<tr>
<td>6 Jan 64</td>
<td>5,000</td>
<td>&quot; Syren</td>
<td>1,041.13.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>&quot; Hansa</td>
<td>1,041.13.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Jan 64</td>
<td>5,000</td>
<td>&quot; Heroine</td>
<td>1,041.13.4</td>
<td>3,114.11.8</td>
<td>3,114.11.8</td>
</tr>
<tr>
<td>15 Sep 63</td>
<td>19,400</td>
<td>&quot; Beauregard</td>
<td>4,000</td>
<td>3,980</td>
<td></td>
</tr>
<tr>
<td>6 Jan 64</td>
<td>25,000</td>
<td>&quot; Fanny</td>
<td>5,208.6.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Jan 64</td>
<td>25,000</td>
<td>&quot; Alice</td>
<td>5,208.6.8</td>
<td>10,364</td>
<td>10,364.11.8</td>
</tr>
<tr>
<td>30 Jan 64</td>
<td>25,000</td>
<td>&quot; Fanny</td>
<td>5,208.6.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Feb 64</td>
<td>23,900</td>
<td>&quot; Heroine</td>
<td>4,979.3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>&quot; Alice</td>
<td>5,208.6.8</td>
<td>15,343.13.0</td>
<td>15,343.15.0</td>
</tr>
<tr>
<td>17 Feb 64</td>
<td>25,000</td>
<td>&quot; Alice</td>
<td>5,208.6.8</td>
<td>5,182.5.10</td>
<td>5,182.5.10</td>
</tr>
<tr>
<td>5 Apr 64</td>
<td>25,000</td>
<td>&quot; Coquette</td>
<td>5,208.6.8</td>
<td>5,280.6.8</td>
<td>5,208.6.8</td>
</tr>
<tr>
<td>16 Apr 64</td>
<td>25,000</td>
<td>&quot; A.D.Vance</td>
<td>5,208.6.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**TABLE III - CONTINUED**

<table>
<thead>
<tr>
<th>Date of Shipment</th>
<th>Shipment</th>
<th>Value of Coin</th>
<th>Value of Bills of Exchange</th>
<th>Date Bills Received by F.T.&amp;Co.</th>
<th>Value of Bills Received by F.T.&amp;Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 Apr 64</td>
<td>$25,000 per Lucy</td>
<td>£5,208.6.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 Apr 64</td>
<td>25,000</td>
<td>5,208.6.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 May 64*</td>
<td>25,000</td>
<td>5,208.6.8</td>
<td>£20,729.3.14</td>
<td>28 May 64</td>
<td>£20,729.3.4122</td>
</tr>
<tr>
<td>[4]May 64</td>
<td>25,000</td>
<td>5,208.6.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 May 64</td>
<td>?</td>
<td>20,806.7.8</td>
<td>29,206.18.6</td>
<td>27 June 64</td>
<td>29,206.18.6</td>
</tr>
<tr>
<td>30 May 64</td>
<td>?</td>
<td>21,062.10.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Jun 64</td>
<td>?</td>
<td>20,100.</td>
<td>42,792.14.9</td>
<td>25 Jul 64</td>
<td>42,792.14.9</td>
</tr>
<tr>
<td>8 Jul 64</td>
<td>50,000</td>
<td>10,333.6.8</td>
<td>4,361.17.6</td>
<td>16 Aug 64</td>
<td>4,360.17.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6,023.10.2</td>
<td>13 Sep 64</td>
<td>6,023.10.2123</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12 Nov 64</td>
<td>27,382.13.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 Dec 64</td>
<td>45.6.5</td>
</tr>
</tbody>
</table>

* Sic.
<table>
<thead>
<tr>
<th>Date of Shipment</th>
<th>Value of Coin</th>
<th>Value of Bills of Exchange</th>
<th>Date Bills Received by F.T.&amp;Co.</th>
<th>Value of Bills Received by F.T.&amp;Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Dec 64</td>
<td>£ 108.6.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Jan 65</td>
<td>15,546.17.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Feb 65</td>
<td>5,182.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Mar 65</td>
<td>5,182.5.10124</td>
<td>£198,899.5.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In addition to the bills of exchange listed in Table III as received by Fraser, Trenholm and Co. from Heyliger, there were two other shipments of bills of exchange from Heyliger totalling £4,945.4.9. These bills of exchange were not marked to show that they were the proceeds of gold sales. Since Heyliger was always careful to note when his shipments were gold proceeds, these bills of exchange were probably the proceeds of damaged cotton auctioned at Nassau.\textsuperscript{125}

The calculation of the probable proceeds of coin shipped to Bermuda is simpler, but not nearly so accurate. Fraser, Trenholm and Co.'s records of the transactions carried out by Walker, the depositary at Bermuda, are unfortunately not as clear as the records on Heyliger. The records list a number of bills of exchange that Walker sent, but they do not show whether the bills of exchange were the proceeds of gold or of cotton sold in Bermuda. It was not Confederate policy to sell cotton in the islands, but it was policy to sell gold there, so these bills of exchange are assumed to be the proceeds of sales of gold. These records plus another set of letters from the Confederate Treasurer make it possible to come up with a good figure for the amount of gold shipped through Bermuda.\textsuperscript{126}
A letter to Walker from the Confederate Treasurer dated January 8, 1864 indicates that $80,600 in gold had been shipped to Bermuda for the Treasury Department. The gold came in four shipments between July and September 1863. 127 If Walker was able to sell his gold for bills of exchange at the same rate that Heyliger did—$4.80 per pound sterling—this amount produced £16,771. According to the Fraser, Trenholm and Co. books, Walker sent them bills of exchange totalling £121,101.12.4 for the Confederacy, to be placed to the credit of the Treasury or Post Office Departments, the Army Ordnance Bureau, the Quartermaster Department purchasing agent James Ferguson, or Walker himself. The following table summarizes the proceeds of gold shipments to Bermuda.

**TABLE IV—GOLD SHIPMENTS TO BERMUDA**

<table>
<thead>
<tr>
<th>Shipment</th>
<th>From F. T. &amp; Co.'s Records</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1863--January 1864, Treasury Department</td>
<td>£16,771</td>
<td></td>
</tr>
<tr>
<td>December 1863--April 1865 Treasury Department</td>
<td>£92,356.17. 6</td>
<td></td>
</tr>
<tr>
<td>Post Office Department</td>
<td>2,078. 2. 6</td>
<td></td>
</tr>
<tr>
<td>Ordnance Bureau</td>
<td>8,042. 2. 3</td>
<td></td>
</tr>
<tr>
<td>James Ferguson</td>
<td>1,420.13. 3</td>
<td></td>
</tr>
<tr>
<td>Norman S. Walker</td>
<td>17,203.16. 9</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>121,101.12.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£137,872.12.3</td>
</tr>
</tbody>
</table>
The only shipment of gold bullion to appear in the Confederate records was sent to Bermuda by July 1864 and sold for £31,648.19. 0.129

With these figures, it is possible to calculate the total amount of funds made available for use in Europe by all the sales of gold coin and bullion.

**TABLE V--PROCEEDS OF GOLD COIN AND BULLION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid in the Confederacy on Huse's</td>
<td>£ 50,000</td>
</tr>
<tr>
<td>account with Saul Isaac, Campbell &amp; Co.</td>
<td></td>
</tr>
<tr>
<td>Coin shipped to Nassau</td>
<td>202,879. 4.11</td>
</tr>
<tr>
<td>Coin shipped to Bermuda</td>
<td>137,872.12. 3</td>
</tr>
<tr>
<td>Bullion shipped to Bermuda</td>
<td>31,648.19. 0</td>
</tr>
<tr>
<td>Total</td>
<td>£422,400.16. 2</td>
</tr>
</tbody>
</table>

Although historians of Confederate finance have always referred to large gold shipments early in the war, the evidence indicates that there were none. Until bills of exchange became scarce in late 1862, the proceeds from the gold were not needed. The Treasurer's correspondence states clearly that the first gold shipments were made in late 1863. This fact, combined with the Fraser, Trenholm and Co. accounts, indicates that gold was shipped from Wilmington regularly from July 1863 until February 1865.130

From this investigation it appears that for the first two years of the war bills of exchange actually were the major source of funds in Europe, giving the Confederate
agents over two million pounds to spend. In the last half of the war gold shipments did contribute significantly to solving the Confederates' financial problems, but they provided only one-fifth as much money as did the bills of exchange.
FOOTNOTES

1 John Fraser and Co. to Christopher G. Memminger, April 22 and 27, 1861, in Letters Received by the Secretary of the Treasury, Record Group 365, Entry 8, National Archives, Washington, D. C. (hereinafter referred to as RG 365, E 8). The letter of April 27 is also in E. D. Townsend and Raphael P. Thian, Correspondence with the Treasury Department of the Confederate States of America, 1861-65 (Washington, 1880), V, 81. John Fraser and Co. to A. S. Guirot, February 8, 1862, in the Confederate States of America Archives, Division of Manuscripts, Library of Congress, Washington, D. C. (hereinafter referred to as C. S. A. Archives).


3 John Fraser and Co. to Memminger, April 18, 1861, in RG 365, E 8. Memminger to Fraser, Trenholm and Co., May 18, 1861, in Letters Sent by the Secretary of the Treasury, Record Group 365, Entry 2, National Archives (hereinafter referred to as RG 365, E 2).


5 John Fraser and Co. to Memminger, May 12, 1862, in RG 365, E 8.

7 John Fraser and Co. to Memminger, February 5, 1862, in RG 365, E 8. John Fraser and Co. to Guirot, February 8, 1862, in C. S. A. Archives.


9 John Fraser and Co. to Memminger, February 20, 1863, in RG 365, E 8.

10 John Fraser and Co. to Memminger, April 27, 1861, in RG 365, E 8. E. C. Elmore to Memminger, September 24, 1862, attached to War Warrant 1640 in Requisitions of the War Department on the Treasury Department for Funds, Record Group 109, chapter x, volume 236, National Archives. In the future, the war requisitions will be referred to by number and then RG 109, ch. x, vol. number.

11 War Requisition 45, in RG 109, ch. x, vol. 225. Navy Requisitions 117, 125, and 207, in Requisitions of the Navy Department on the Treasury Department for Funds, Record Group 109, chapter x, volumes 245 and 246, National Archives (hereinafter referred to as RG 109, ch. x, vol. 245-6).


13 Navy Requisitions 4, 15, 16, 26, 28, and 80, in RG 109, ch. x, vol. 245. Memminger to Hatch, December 24, 1861, in Telegrams Sent by the Secretary of the Treasury, Record Group 365, Entry 3, National Archives (hereinafter referred to as RG 365, E 3). Memminger to Elmore, January 1, 1862, in Letters Received by the Secretary of the Treasury and Treasurer, Record Group 109, Entry 144, National Archives (hereinafter referred to as RG 109, E 144). Confederate States Navy in account with John Fraser and Co., June 16, 1863, in RG 365, E 8. Juan A. Quintero to Judah P. Benjamin, June 19, 1863, in C. S. A. Archives. Memoirs of Williamson
Simpson Oldham, 358-9, in the Eugene C. Barker Texas History Center, University of Texas, Austin, Texas.


15 Elmore to Savage, [July] 29, 1863; Elmore to Norman S. Walker, August 10, 1863; in Letters Sent by the Confederate States Treasurer, Confederate Museum, Richmond, Virginia. Fraser, Trenholm and Co. to George A. Trenholm, September 30, 1864; Louis Heyliger, Statement of Remittances of Specie from Treasury Department, May 24, 1864; in RG 365, E 8. Louis Heyliger, "Specie Operations of the Nassau Agency a/c Treasury Department," [August 20, 1864]. (I have a xerox copy of a nineteenth-century copy of this report by Heyliger; unfortunately, I am unable to tell by my notes just where in England I had the copy made.)

16 C. S. A. Treasury Department in account with Fraser, Trenholm and Co., in DU 4577; Dudley Collection. Thomas H. Dudley to William H. Seward, June 7 and 15, 1864, in DU 4573, Dudley Collection.


18 For the Huse transaction, see the following. Memminger to John Fraser and Co., April 15 and 18, 1861; Memminger to Fraser, Trenholm and Co., May 18, 1861; Memminger to Trenholm, June 12, 1861; in RG 365, E 2. John Fraser and Co. to Memminger, April 18, 1861, March 13, 1862 and January 9, 1863, in RG 365, E 8. John Fraser and Co. to Memminger, April 22, 1861, in Townsend and Thian,
Correspondence with the Treasury Department, V, 74. War Requisition 45, in RG 109, ch. x, vol. 225.

Memminger arranged these letters of credit for Huse through John Fraser and Co. and the Bank of Charleston. Within the week, Memminger sent John Fraser and Co. a warrant for $54,500 to cover these two letters of credit and $500 in cash that the firm had given Huse. John Fraser and Co., however, used the $54,000 to buy £10,000 in exchange to send to Fraser, Trenholm and Co. for Huse's use; they did not cancel the credits. Huse spent the exchange and drew on the credits. This caused a mix-up in the Treasury Department's books which was not cleared up until January 1863.


For the Anderson transaction, see the following letters.
Memminger to Fraser, Trenholm and Co., May 18, 1861;
Memminger to John Fraser and Co., May 21, 1861; Memminger to Trenholm, June 12, 1861; in RG 365, E 2. John Fraser and Co. to Memminger, May 23, 1861, in RG 365, E 8.


Memminger to Jefferson Davis, September 3, 1862; Bulloch to Mallory, September 1, 1864; in ORN, 2, II, 261-2, 716-8.

21 Memminger to John Fraser and Co., April 15, 1861; Memminger to Fraser, Trenholm and Co., May 18, 1861; Memminger to Trenholm, June 12, 1861; in RG 365, E 2. Huse to ______, May 21, 1861, in OR, 4, I, 343.

22 Fraser, Trenholm and Co. accounts, December 1863-August 1868, DU 4577, Dudley Collection. Requisitions of the War and Navy Departments on the Treasury Department for Funds, March 1861-June 1864, RG 109, ch. x, vols. 225-46. Letters Sent by the Secretary of the Treasury, March 1-October 12, 1861 and October 17, 1864-March 31, 1865, RG 365, E 2. Letters Received by the Secretary of the Treasury, RG 365, E 8.


24 The only exception to this is several large amounts that appear in Fraser, Trenholm and Co.'s books to the credit of Jacob Thompson and James Holcombe and which have been included.

25 They do not exceed $15,000 in all. Navy Requisitions 4, 15, 17, 26, 28, 30 and 186, in RG 109, ch. x, vol. 245. War Requisition 1776, in RG 109, ch. x, vol. 236. Treasury Department Warrant 1301, in Archives Division, Duke University, Durham, N. C.

26 References to these payments to John Fraser and Co. for purchases in the Confederacy appear in the Requisitions of the War and Navy Departments on the Treasury Department for Funds, RG 109, ch. x, vols. 225-44.

27 Throughout Table I the following abbreviations and symbols are used: J.F.&Co. for John Fraser and Co.; P.T.&Co. for Fraser, Trenholm and Co.; + to indicate that the figure given was not stated in the records but was calculated from the figures given; * to indicate that the
figure given was estimated.

28 War Requisition 45, in RG 109, ch. x, vol. 225. Ordnance Funds Remitted, in DU 4576, Dudley Collection. John Fraser and Co. to Memminger, April 22, 1861, February 14 and 22, 1862, and January 9 and April 28, 1863; Confederate States War Department in account with John Fraser and Co., February 14, 1862; in RG 365, E 8. Memminger to John Fraser and Co., April 18, 1861; Memminger to Fraser, Trenholm and Co., May 18, 1861; in RG 365, E 2. Huse to _____, May 21, 1861, in OR, 4, I, 344. (John Fraser and Co. to Memminger, April 22, 1861 is also in Townsend and Thian, Correspondence with the Treasury Department, V, 74.)

29 War Requisition 90, in RG 109, ch. x, vol. 225. Ordnance Funds Remitted, in DU 4576, Dudley Collection. Memminger to Charles Walsh, May 2, 1861; Memminger to Fraser, Trenholm and Co., May 10, 1861; in RG 365, E ?. Huse to _____, May 21, 1861; Edward C. Anderson and Huse to Leroy P. Walker, August 11, 1861; in OR, 4, I, 344, 539. (Anderson and Huse to Walker, August 11, 1861 is also in Edward C. Anderson Diary, 174-82, in the Southern Historical Collection, University of North Carolina, Chapel Hill, North Carolina.)


31 Memminger to John Fraser and Co., June 25, 1862; Memminger to Samuel Smith, June 19 and July 2, 1861; Memminger to L. P. Walker, July 3, 1861; in RG 365, E 2. John Fraser and Co. to Memminger, June 22 and 28 and July 1, 1861, in RG 365, E 8. L. P. Walker to Fraser, Trenholm and Co., June 22 [1861], in C. S. A. Archives. It is also in
Letters Sent by the Confederate States War Department... 1860-1865 (Washington, D. C., 1876), I, 139. L. P. Walker to Henry Hotze, August 31, 1861, in OR, 4, I, 596-7.


33 War Requisition 3166 of May 22, 1863, in RG 109, ch. x, vol. 239. Ordnance Funds Remitted, in DU 4576, Dudley Collection. Register of War Pay Warrants, Record Group 365, Entry 13, National Archives (hereinafter referred to as Register of War Warrants). L. P. Walker to Hotze, August 31, 1861, in OR, 4, I, 596-7. (Apparently this amount was paid out for Huse in August 1861 and by an oversight no requisition was issued; the error was corrected in May 1863.)

34 War Requisition 727, in RG 109, ch. x, vol. 226. Ordnance Funds Remitted, in DU 4576, Dudley Collection. John Fraser and Co. to Boston, August [27], 1861; L. P. Walker to John Fraser and Co., August 30, 1861; in C. S. A. Archives. L. P. Walker to Huse and Anderson, August 30, 1861 and note; L. P. Walker to John Fraser and Co., September 11, 1862; in Letters Sent by the Confederate States War Department, I, 226, 254. L. P. Walker to Huse and Anderson, August 30, 1861 is also found in C. S. A. Archives and in OR, 4, I, 594.

35 War Requisition 976, in RG 109, ch. x, vol. 226. Ordnance Funds Remitted, in DU 4576, Dudley Collection. Statement Book, September 18, 1861 to January 18, 1862; Memminger to Boston, [September] 25 and 26 and October 3 and 11, 1861; John Fraser and Co. to Boston, October 14, 1861; in C. S. A. Archives. Memminger to Benjamin, September 25 and October 21, 1861; Memminger to Pressley, September 28 and October 1, 1861; in RG 365, E 2. Benjamin to
John Fraser and Co., October 3 and 14, 1861; Benjamin to Memminger, September 26 and October 3, 1861; in Letters Sent by the Confederate States War Department, I, 304, 307, 321-2. John Fraser and Co. to Benjamin, September 30, 1861, in OR, 4, I, 633. It is certain that £70,000 of sterling bills of exchange were bought on this requisition at 12 1/2% premium; calculating on the assumption that that rate prevailed for all that was bought, $500,000 would have netted 100,000.


38 S. P. Moore to T. Graves, October 27, 1862; Moore to F. Greene, November 20, 1862; in RG 109, E 144.


42 John Fraser and Co. to Memminger, January 1 and 27 and February 1, 3, and 8, 1862; John Fraser and Co. to
Guirot, February 8, 1862; in RG 365, E 8. (John Fraser and Co. to Guirot, February 8, 1862 is also in C. S. A. Archives.) John Fraser and Co. to Boston, December 31, 1861 and January 1, 8 and 22, 1862; Memminger to Boston, January 1, [13], 20, 22 and 25, 1862; Elmore to Boston, January 24, 1862; Memminger to Guirot, January 24, 1862; Elmore to Guirot, February 7, 1862; John Fraser and Co. to Guirot, February 7, 1862; in C. S. A. Archives. Memminger to Elmore, January 1, 1862, in RG 109, E 144.


46 John Fraser and Co. to Memminger, February 20 and 24, 1862, in RG 365, E 8.


49 Navy Requisition 32, in RG 109, ch. x, vol. 245. Register of Navy Warrants, RG 365, E 14. Record of Warrants,


60. See footnote 58.


64. Navy Requisition 114, in RG 109, ch. x, vol. 245. Register of Navy Warrants, RG 365, E 14. Register of Miscellaneous Warrants, Record Group 365, Entry 16, National Archives. Enclosure B in Memminger to Davis, September 3,


70 John Fraser and Co. to Elmore, August 18, 1862, in RG 109, E 144.

71 Elmore to Memminger, September 24, 1862, attached to War Warrant 1640 (filed with War Requisition 1643) in RG 109, ch. x, vol. 236. Register of War Warrants, RG 365, E 13. Myers to Randolph, October 4, 1862, in Letters Sent by the
Quartermaster Department to the Secretary of War, Record Group 109, chapter v, volume 157, National Archives (hereinafter referred to as RG 109, ch. v, vol. 157).

72 Register of War Warrants, RG 365, E 13.


74 Register of War Warrants, RG 365, E 13.

75 Ibid.

76 Navy Requisition 149, in RG 109, ch. x, vol. 245.

77 Navy Requisition 151, in ibid.

78 Register of War Warrants, RG 365, E 13. Gorgas to Huse, March 9, 1863, in DU 4576, Dudley Collection possibly refers to this warrant.

79 T. Green to Fraser, Trenholm and Co., November 13, 19 and 21, 1862; Elmore to Fraser, Trenholm and Co., November 24 and December 3, 6 (two letters), 10, [15], 15 (two letters), 1862; Elmore to John Fraser and Co., December 3, 10, 15, 16 and 18, 1862; Elmore to Pressley, December 10, 1862; in Letters Sent by the Confederate States Treasurer, Confederate Museum.

80 Register of War Warrants, RG 365, E 13.


Elmore to John Fraser and Co., December 26, 29 and 30, 1862; Elmore to Fraser, Trenholm and Co., December 26, 29 and 30, 1862; in Letters Sent by the Confederate States Treasurer, Confederate Museum.

Register of War Warrants, RG 365, E 13.


Elmore to John Fraser and Co., January 5, 1863; Elmore to Fraser, Trenholm and Co., January 5 and 8, 1863; in Letters Sent by the Confederate States Treasurer, Confederate Museum. [John Fraser and Co. to Elmore], January 8 and 9, 1863, in Register of Letters Received by Secretary of the Treasury and Treasurer, Record Group 109, chapter x, volume 158.


Elmore to Fraser, Trenholm and Co., January 13, 20, 21 and 30 and [February] 6, 1863; Elmore to John Fraser and Co., January 21, 1863; Elmore to Pressley, January 30, 1863; in Letters Sent by the Confederate States Treasurer, Confederate Museum.
Register of War Warrants, RG 365, E 13.


See footnote 33.

Elmore to Fraser, Trenholm and Co., July 21, 1863 (two letters), in Letters Sent by the Confederate States Treasurer, Confederate Museum.


Joseph Walker in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.

James P. Holcombe in account with Fraser, Trenholm and Co., ibid.

James Morton Callahan, Diplomatic History of the Southern Confederacy (Baltimore, Md., 1901), 225. State Department in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection. This account contains two entries for Jacob Thompson totalling about £41,000 which probably represent a portion of this $900,000.

James P. Holcombe in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.

Treasury Department in account with Fraser, Trenholm and Co., in ibid.

Navy Department in account with Fraser, Trenholm and Co., in ibid.

Nitre and Mining Bureau in account with Fraser, Trenholm and Co., in ibid.

Captain J. M. Strother in account with Fraser, Trenholm and Co., in ibid.

Register of Miscellaneous Warrants, RG 365, E 16.

This total also includes several State Department remittances.

Memminger to Seddon, December 15, 1862, in OR, 4, II, 236.

It is probable that this small Navy total reflects the fact that much of naval purchasing was on long-term construction contracts and relatively few of the necessary payments fell due in the first part of the war. In contrast,
requisitions and warrants indicate that the Navy was to have received about £800,000 from the Erlanger loan proceeds and the Army only about £575,000.


119 Nutt to Savage, January 8, 1864, in Letters Sent by the Confederate States Treasurer, Confederate Museum.

120 Louis Heyliger, Statement, Post Master General's Department, May 24, 1864, in RG 365, E 8. C. S. A. Post Office Department in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.

121 Louis Heyliger, Statement of Remittances of Specie from Treasury Department, May 24, 1864, in RG 365, E 8. Elmore to Savage, August 29, 1863; Nutt to Heyliger, December 9, 1863; Nutt to Savage, January 8, 1864; in Letters Sent by the Confederate States Treasurer, Confederate Museum. C. S. A. Treasury Department in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.


123 Treasury Department in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection. "Specie Operations of the Nassau Agency a/c Treasury Department," found in England but exact source unknown as explained in footnote 15.

124 Treasury Department in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.

125 Treasury Department in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.
126 Fraser, Trenholm and Co. accounts, December 1863-August 1868, in DU 4577, Dudley Collection. Letters Received by the Secretary of the Treasury, RG 365, E 8. Letters Sent by the Confederate States Treasurer, November 8, 1862-February 15, 1864, Confederate Museum.


128 Treasury Department, Post Office Department, Ordnance Bureau, James Ferguson and Norman S. Walker in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.

129 Treasury Department in account with Fraser, Trenholm and Co., in ibid. Dudley to Seward, June 7 and 15, 1864, in DU 4573, Dudley Collection.

130 Treasury Department, Post Office Department, Ordnance Bureau, James Ferguson, and Norman S. Walker in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection. Letters Sent by the Confederate States Treasurer, November 8, 1862-February 15, 1864, Confederate Museum.
CHAPTER 3

MEETING THE CRISES OF 1862 AND 1864

In the summer and fall of 1862 the government's demand for bills of exchange began to make serious inroads into the Confederacy's supply. This did not actually slow down the flow of bills of exchange to Europe, but the Confederates found it harder and harder to find large amounts, and the premium on bills of exchange rose sharply. At the same time the Confederate agents in Europe ran out of money because orders for materials were increasing while the supply of bills of exchange remained constant.

Confederate officials in Richmond responded to this demand by experimenting with several other methods for getting money to Europe. They exported cotton, sent Treasury bonds to England for sale, issued and tried to sell various types of certificates representing cotton in the Confederacy, and contracted for a large loan. In Europe the Confederate agents either issued their own cotton certificates, tried to sell the Treasury bonds, or talked to foreign banking
houses about loans. But whenever there was a real financial crisis in Europe, the agents always depended on advances or short-term loans from European firms. Occasionally there were other sources of funds, such as proceeds from the sales of ships, insurance payments for ships and cargoes lost at sea, and various small incomes.

The Confederate efforts to sell Treasury bonds and cotton certificates have been well described by earlier historians of Confederate finance, but these accounts largely ignore two much more productive methods of raising funds—the short-term loans and ship sales. The crisis in late 1862 was eased by advances of funds from Emile Erlanger and Co. A similar crisis in 1864 was averted when European financial agent Colin McRae arranged more extensive short-term loans and when naval purchasing agent James Bulloch arranged to sell several ships that were of no use to the Confederacy.

I

In the summer of 1862, Secretary of the Treasury Memminger tried to sell Confederate securities in Europe to provide income for his agents. James M. Mason, the Confederate commissioner to England, wrote to Memminger in April suggesting that James Spence, a Liverpool merchant who
had written pro-Confederate pamphlets, would make a good Confederate financial agent after the war. Memminger thought the proposal was premature, but in August he commissioned Spence to try to sell a small amount of Treasury bonds carrying interest of eight per cent per year which had been issued under the Act of August 19, 1861. Lieutenant John Wilkinson took $500,000 of these bonds to Europe for Spence to try to sell at sixty per cent of their face value. Memminger said he would send $5 million more of the bonds if Spence thought he could get seventy-five per cent of the face value for them.\(^2\)

Memminger had lowered his sights by September 20, and he authorized Spence to sell the bonds at prices as low as fifty per cent. Over a three-week period beginning October 20, Memminger sent $5 million in bonds to England to be deposited with Fraser, Trenholm and Co. for Spence to sell at fifty per cent if he could. Major James G. Ferguson, the recently appointed purchasing agent for the Quartermaster Department, carried $1 million of these bonds to England on December 2. The proceeds from the sale of this parcel of bonds were meant for naval purchasing agents James D. Bulloch and James H. North to pay for their contracts. Major Norman S. Walker, who would later be the Confederate depositary in
Bermuda, brought $4 million of the bonds to England two weeks later—$2 million for Bulloch and $2 million for the Ordnance Bureau. At about this time, the Confederate commercial agent at Vera Cruz, Mexico, Bernard Avegno, received $50,000 of the bonds to offer for sale.³

Memminger began to consider raising money on six per cent Treasury bonds in May 1863, by using them for security for loans instead of selling them. Because the European agents were in the midst of a stock market manipulation in connection with the Erlanger loan, Spence advised Memminger to wait. In August 1864, over a year later, the new Secretary of the Treasury, George A. Trenholm, sent $3 million in six per cent bonds issued under the Act of February 17, 1864 to Colin J. McRae in Europe.⁴ The Treasury bonds sent abroad are summarized in the following table.

<table>
<thead>
<tr>
<th>Date</th>
<th>Type of Bond</th>
<th>Recipient</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1862</td>
<td>8%</td>
<td>Spence</td>
<td>$500,000</td>
</tr>
<tr>
<td>October-November 1862</td>
<td>8%</td>
<td>Spence</td>
<td>5,000,000</td>
</tr>
<tr>
<td>November 1862</td>
<td>8%</td>
<td>Avegno</td>
<td>50,000</td>
</tr>
<tr>
<td>Total of 8% bonds</td>
<td></td>
<td></td>
<td>5,550,000</td>
</tr>
<tr>
<td>February 1864</td>
<td>6%</td>
<td>McRae</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

Wilkinson gave the first $500,000 of eight per cent Treasury bonds to Spence on October 10, 1862. Fraser,
Trenholm and Co. advised Spence against trying to sell them immediately, because financial circles were upset over the recent news of the Emancipation Proclamation. On December 2, Spence complained that private individuals were offering the same Confederate bonds in London, lowering the price on his. He wrote Memminger on December 19 that he could sell £200,000 to £300,000 of these bonds for sixty per cent of their face value, but he was afraid that if he did Erlanger and Co. would withdraw their offer. In mid-January, 1863, Spence wrote that he could have sold bonds at sixty per cent when England heard about the battle of Fredericksburg, but he had promised Emile Erlanger that he would keep the bonds off the market for a while longer. The Bank of England raised its discount rate in early February from three per cent to five per cent, making the Confederate bonds even less attractive. By mid-February, London was alive with rumors that the Confederacy intended to raise money on cotton through the Erlanger loan, and the demand for the Treasury bonds evaporated.  

So it happened that no Treasury bonds were sold from October 1862 to February 1863, even though the Confederate agents in Europe were short of money. Perhaps the news of the Emancipation Proclamation and the rise in the bank rate
stopped the sales, when combined with Spence's commendable
decision not to risk upsetting the Erlanger negotiations.
But it is just as possible that the real reason was Spence's
inability to move decisively when opportunities arose.
Charles K. Prioleau of Fraser, Trenholm and Co. obviously
did not think that Spence was very capable. He wrote a
private and confidential letter to Memminger in early
November 1862, saying that Spence was a friend of his and
had always supported the Southern cause, but that Spence had
failed twice in business. In Prioleau's opinion Spence was
not the best man to float a large loan for the Confederacy
in Europe. After McRae arrived in England in May 1863,
Spence's authority was limited, and in December Memminger
revoked Spence's appointment.⁶

Eventually, some of the eight per cent bonds were
sold. In October 1863, when there was a brief demand for
Confederate securities, Spence unloaded $25,000 worth at
thirty-six per cent of their face value which yielded
£1,875. Major Caleb Huse, the purchasing agent for the
Ordnance Bureau, sold $35,000 worth in November at thirty-
four per cent, netting £2,477.10.0. Secretary of the Navy
Mallory told Fraser, Trenholm and Co. to deliver $300,000
worth of the bonds to L. M. Merritt and Co. in August 1864,
and in December, Fraser, Trenholm and Co. credited £394.0.10 to the Confederate account in connection with this transaction. Apparently this sale was transacted inside the Confederacy and most of the money was paid there, with only this small amount paid in Europe.7

The only income from Treasury bonds came from these three transactions. Avegno said in March 1863 that he never would be able to sell the $50,000 in bonds he held, and eventually he brought them back to Richmond. Spence was not able to sell any more of his. In December 1864 Secretary of the Treasury Trenholm vetoed McRae's plan to use the $3 million in six per cent bonds.8 The total amount raised in Europe from sales of all Treasury bonds was £4,746.10.10.

II

Luckily, cotton certificates were more successful in Europe. Judah P. Benjamin tried them first in January 1862 by authorizing negotiations for a $1 million cotton loan from a European banking firm. The money was to be made available in Europe after the Confederate government delivered the cotton to the bank's house in New Orleans. But New Orleans was captured before the Confederates could begin this plan.9
In April 1862, Congress passed a secret act to authorize a contract for the construction of six ironclads in Europe. The ships were to be paid for in certificates representing a certain number of bales of cotton in the Confederacy. The certificates' value was to be the market price of the cotton when it was delivered to the keeper of the certificates at a Confederate port. George N. Sanders arrived in Europe on about September 15 to fulfill his contract for the ships authorized under this act, and he found that Lieutenant George T. Sinclair had already done most of the work.

Sinclair arrived in Europe early in August 1862 with orders to buy or build a propeller-driven steam warship. He had drafts to obtain the necessary funds from Bulloch, but Bulloch had none to spare. Sinclair began to look around, and by September 5 he had an offer from William Schaw Lindsay and Co., a leading merchant shipping firm of London, to raise the money by selling cotton certificates. However, Lindsay and Co. wanted Confederate Commissioner Mason's signature on them, but Mason would not approve the sale for fear of disrupting the Confederacy's King Cotton diplomacy policy.
When Sanders arrived, he consulted with Lindsay and Co. and learned that they were willing to issue cotton certificates, but they wanted the price of the cotton to be stated on them. Mason would not take the responsibility of deviating from Sanders' contract which stated that the price of the cotton would be the market price in the Confederacy when delivered—especially since the contract was for such a large amount as £2 million. He sent Sanders back to Richmond to get authority to fix the price of the cotton on the certificates. In the meantime Mason decided that Sanders' authority was proof enough of the government's intention to sell cotton certificates in Europe, and he agreed to sign Sinclair's.10

Sinclair only needed to raise £60,000, and Lindsay and Co. issued and sold that amount of cotton certificates for him, with both his and Mason's signatures. There were 288 certificates with a face value of £208.6.8 each, representing 12,500 pounds or twenty-five bales of cotton at four pence per pound. The Confederacy was to deliver the cotton to a port named by the holder of the certificates, within thirty days of the date that they were presented in Richmond. These certificates did not bear interest, and there was no provision, as in later bonds, for payment in
sterling instead of cotton.

Lindsay and Co. issued the £60,000 worth of cotton certificates in mid-September of 1862, and they were all sold within a week. The records indicate that £55,000 worth of them were sold at face value, and it seems probable that the rest were sold for the same price. These were the first cotton certificates sold in England, and they created considerable optimism about this method of raising money. But the transaction was not as successful as it seemed. The £55,000 worth were taken up by Edward Pembroke, one of the partners in Lindsay and Co. He accepted £51,250 of them as payment for a steamer which he then delivered to the Confederates, and bought £3,750 worth for speculation. Since the issuing firm took most of the certificates in payment for a ship which they wanted to sell, this issue was no test of the English market for Confederate cotton certificates. 11

When Mason sent Sanders back to Richmond for authority to state the price of the cotton on the certificates, he also sent along a copy of the Sinclair-Mason certificates and recommended that the Confederacy try raising large amounts of money on similar certificates. Mason said he thought £4 to £5 million could be raised this way.
Lindsay and Co. were less optimistic at this point, saying that they could raise only an additional £50,000 to £80,000 on cotton certificates without difficulty.

Memminger wrote Mason in October 1862 that he had modified the Lindsay certificates slightly, making the cotton deliverable only to certain ports and only after the war was over. If the holder wanted the cotton sooner, he would have to pay for the cotton to be transported to the port and for other contingent expenses. In addition, if the holder did not ask for the cotton within twelve months of the end of the war the Confederacy had the option of paying in cotton or in sterling, including interest at six per cent from the date of the certificates' purchase. Since these certificates carried interest, they were called cotton bonds. Memminger sent Mason a copy of one of the cotton bonds and a copy of a Produce Loan certificate, which conveyed ownership of a particular parcel of cotton on a plantation. Memminger said he planned to sell both cotton bonds and Produce Loan certificates in Europe and would send $3 million in bonds in the near future.12

In Europe Mason met with William S. Lindsay on October 31, 1862 to discuss a large issue of interest-bearing cotton bonds. Lindsay suggested that the price of the cotton
be fixed at four pence per pound and that a small issue of £100,000 worth of bonds be tried first, with probable later issues. Mason wrote Benjamin endorsing the plan, but in January Benjamin replied that it had already been virtually adopted with the cotton at five pence per pound, and a large quantity of the bonds had been sent to Spence for sale. Benjamin was referring to the $3 million in cotton bonds developed in Richmond after Sanders' return.

On October 12, 1862, Memminger gave Sanders $1 1/2 million of cotton bonds to take to England to Mason. Mallory learned of the plan and by November 8 he had sent an additional $1 1/2 million in cotton bonds to Commander Matthew Fontaine Maury for him to use to pay for the ship he was having built. When Sanders found he was going to be delayed in Richmond, he returned the bonds to the depository for safekeeping, and when he eventually left Richmond he forgot them. He finally arrived in London six and a half months later, about May 5, 1863, without the bonds. Maury was more fortunate. His nephew, Lieutenant William L. Maury, left Charleston on December 27, 1862, and arrived in England about February 1, 1863, with his bonds. The proceeds of the $1 1/2 million in bonds that Sanders should have taken to Mason apparently were intended
for payments on Bulloch's and North's contracts. In December 1862 the naval agents learned that the bonds were coming, and they began sounding out the market. In their reports, Bulloch always said he was sure they could never sell bonds with the cotton priced at four to five pence per pound, but North was always positive they could get five pence per pound, or could have if Sanders had brought the bonds. Maury, who received his bonds early in February, ran into another problem—everyone advised against selling them while the Erlanger loan was pending.15

Negotiations with Emile Erlanger and Co. of Paris were begun in about August 1862, for a £5 million cotton bond issue on the stock exchanges of Europe. While Mason was writing to Benjamin in November about Lindsay and Co.'s suggestion for a £100,000 private issue, John Slidell, the Confederate commissioner in Paris, was endorsing Erlanger's large public issue. Confederate officials at Richmond turned down the Lindsay proposal because they had already sent similar bonds to Mason for Spence to sell. They wanted to turn down the Erlanger proposal too, but Slidell intimated that Emile Erlanger had close connections with the Emperor Louis Napoleon and might be able to secure Napoleon's support for the Confederate cause. Because of these possible political
results, Benjamin and Memminger accepted the loan grudgingly—and only after making it smaller and getting better terms.

These Erlanger negotiations became serious in November 1862. Congress passed a secret act authorizing the loan in January 1863. News of the act arrived in Europe that same month, but the actual authorization did not get there until mid-March. The loan was issued in London, Liverpool, Paris, Frankfort, and Amsterdam on March 19, but the success of the issue was not certain until May. Throughout the period from November 1862 through May 1863, Mason and Spence did their best to prevent any public offer of cotton bonds or Treasury bonds that would discourage Erlanger or depress the demand for the Erlanger bonds.16

Maury ran head first into this difficulty when he received his $1 1/2 million in cotton bonds in February 1863: Mason would not let him sell them. Mason would, however, allow him to use them as security for a bank advance, and he raised money for one ship this way. The loan was soon paid off from the proceeds of the Erlanger loan and the hypothecated bonds were recovered. It was only in July 1863, after the Erlanger loan operation had been virtually completed, that Maury actually tried to sell his cotton bonds.
Maury succeeded in using a portion of his bonds on October 6, 1863 to buy the hulk, without sails or rigging, of the old British warship \textit{Victor}, which eventually became the C.S.S. \textit{Rappahannock}. Apparently the ship cost Maury £40,000 in cotton bonds at par. But it would be incorrect to consider the face value of the bonds as equal to the proceeds from this sale. The British government had sold the ship for £9,375 in July 1863, and when the Confederacy sold it in June 1865 it brought only £4,000. Adding charges that the middleman in the sale to the Confederates might have added, the price could probably be estimated at about £15,000, paid with £40,000 worth of cotton bonds at about 37 1/2 per cent instead of a sale of the bonds at par for £40,000.\textsuperscript{17}

While Maury, Bulloch, and North were waiting for the arrival of their cotton bonds from Richmond in this same winter of 1862-1863, Caleb Huse also needed money. His largest creditor, Saul Isaac, Campbell and Co., was pressing him for at least part of the money he owed them. At the same time, urgent letters were arriving from Richmond ordering him to buy more and more arms and supplies for the Army. Huse's need was so great that Mason agreed to two issues of cotton warrants, or orders for cotton from the Treasury.
The first was on January 3, 1863, when Huse and Mason issued warrants for the delivery in the Confederacy of 2,300,000 pounds of cotton. The warrants were used to pay for the steamer *Merrimac* and its cargo of war materiel. In this transaction, Huse calculated the value of the ship and cargo at £45,000, making the cotton worth 4.7 pence per pound. On February 3, Huse and Mason issued warrants for 5,000,000 pounds of cotton, worth £104,116 with the price of the cotton stated at five pence per pound, and gave them to Saul Isaac, Campbell and Co. in lieu of immediate payment.¹⁸

The Confederacy made one last effort to raise money on cotton certificates. In September 1863 Memminger sent Bulloch $2 million in cotton certificates for him to use only in direct payment for ships to be bought or built. These certificates provided for delivery of the cotton within six months of when the certificates were presented in the Confederacy, and were not valid unless they were signed by Fraser, Trenholm and Co. They may or may not have carried interest. The certificates reached Europe in November, and Bulloch immediately said he was afraid that shipbuilders would not accept them. By January 1864 he was certain of it, and these certificates never yielded any money.¹⁹
The Confederacy's major plan for raising money by selling cotton certificates and bonds was the sale of the $3 million in cotton bonds that they intended to send to Europe in the fall of 1862. Apparently the Produce Loan certificates that Richmond officials considered at the same time were never sent. The $2 million in cotton certificates sent to Bulloch in the fall of 1863 were intended solely to pay for warships, and they proved worthless. Thus the actual proceeds from sales of securities based on cotton were only Sinclair's sale of £60,000 of cotton certificates in London, Huse's use of cotton warrants for 2,300,000 pounds of cotton, and Maury's trading of about $192,000 of the cotton bonds from Richmond for a ship. The proceeds of these sales are summarized in the following table.

**TABLE II--PROCEEDS OF SALES OF COTTON CERTIFICATES**

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Proceeds ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1862</td>
<td>Sinclair</td>
<td>60,000</td>
</tr>
<tr>
<td>January 3, 1863</td>
<td>Huse</td>
<td>45,000</td>
</tr>
<tr>
<td>October 6, 1863</td>
<td>Maury</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>£120,000</strong></td>
</tr>
</tbody>
</table>

III

Although the sales of Treasury bonds and cotton-backed securities did not yield much money, they were useful in other ways. Along with other Confederate assets, they were used extensively as security for short-term loans to the
Confederates in Europe. The importance of credit arrangements and short-term loans must not be underestimated. Shipbuilders were reluctant to work on credit and the Navy Department often had to rely on other sources, but most of the war materials that Huse and Quartermaster Department purchasing agent Ferguson delivered were bought on credit. In addition to these extensions of credit from the firms which were supplying the Confederates, the agents also obtained outright loans for periods up to a year from Fraser, Trenholm and Co., Emile Erlanger and Co., John Kirton Gilliat and Co., and other firms.

Fraser, Trenholm and Co., the Confederate bankers in England, allowed the Confederates to overdraw their account continually during the first twenty-one months of the war. In December 1862 the firm had to cut down on these loans because of difficulties of their own. It is uncertain whether they ever resumed the loans on a large scale, but they helped the Confederates with money necessary for particular purposes several times toward the end of the war. It is impossible to determine what amounts the firm advanced to the Confederates in the early part of the war, but these loans got ships afloat and arms to the Confederacy more quickly than would have been possible otherwise. 20
Saul Isaac, Campbell and Co. were equally helpful during the first year and a half of the war. When Huse first placed orders with them, he paid in cash. But when income from the Confederacy did not keep up with his orders, Huse asked the firm to give him credit and continue the shipments. Huse eventually owed them £565,000. In the summer and fall of 1862, Saul Isaac, Campbell and Co. found themselves in financial straits and asked the Confederacy for payment. The debt was eventually paid by September 1863.21

Huse has been criticized for ordering most of his supplies from Saul Isaac, Campbell and Co. because they kept two sets of books on his transactions and overcharged him for his orders. But this firm shipped most of the army goods that the Confederacy received in the first year of the war, and these were high-quality goods that Huse had ordered and inspected himself. In addition the firm was running the risk that it would never be paid. Without actually examining the firm's books and comparing its prices with those of its competitors, it is impossible to be absolutely certain. But it is probable that this firm's prices were no higher than those of many other firms that sold goods to the Confederacy, and it—unlike most of the others—did give the Confederacy considerable assistance in return for what it was paid.22
Both Saul Isaac, Campbell and Co. and Fraser, Trenholm and Co. had to restrict their advances to the Confederates in 1862. This intensified the crisis in Confederate finances in Europe in the fall of 1862 caused by the inability of transfers by bills of exchange to keep up with the Confederacy's growing commitments in Europe. Confederate agents were short of money from about November 1862 until the Erlanger loan funds became available in June 1863. They had no income during this period except very small sums from the cotton certificates, and no credit at all until March 1863, when the Erlanger contract arrived in Europe.

The Erlanger contract required Erlanger and Co. to lend the Confederates £60,000 as soon as the contract was received in Europe. Eventually Erlanger and Co. loaned them at least £300,000. 23 Part of the extra £240,000 was loaned to Huse on the security of cotton warrants and Treasury bonds: Huse had given the warrants for 5,000,000 pounds of cotton, worth about £100,000, to Saul Isaac, Campbell and Co. in February as security for paying his debt eventually. But in June the firm needed actual cash urgently. Huse arranged for Erlanger and Co. to pay Isaac, Campbell and Co. £90,000 in cash, and take the cotton warrants plus $2 million in eight per cent Treasury bonds as security. All of
these debts were repaid in June and July 1863 out of the
first proceeds of the Erlanger loan. 24

In January and February 1864, McRae arranged for two
advances of £20,000 and £100,000 from Erlanger and Co.
But a serious rift between McRae and Emile Erlanger developed
in late February, and McRae repaid the first advance and
canceled the other. 25

A surprising thing about Confederate finances in Europe
is that short-term loans were most successful in 1864, when
the Confederacy's prospects were waning. McRae arranged for
a £240,000 loan from the Mercantile Trading Co. Ltd. which
was never approved, the guarantee of a £30,000 Greenwood,
Batley and Co. contract plus a £150,000 loan from J. K.
Gilliat and Co., £180,000 from Alexander Collie and Co.,
and £465,000 from Fraser, Trenholm and Co. The security
for most of these loans was the expectation of cotton ship-
ments from the Confederacy. Much of the money went to buy
steamers to transport the cotton, and the ships themselves
also provided security. The improvement in the Confederacy's
credit was largely due to the Confederate government's policy
initiated in February 1864 of prohibiting all cotton exports
except with government permission. Government exports in-
creased, and the restrictions on private exports guaranteed
that the supply of cotton would remain restricted and
government cotton would therefore continue to bring high
prices.\(^{26}\) The Confederacy's short-term loans are summarized
in the following table.
### TABLE III--SHORT-TERM LOANS

<table>
<thead>
<tr>
<th>Date of Advance</th>
<th>Parties to Contract</th>
<th>Provisions of Contract (interest, commission, security)</th>
<th>Amount of Advance</th>
<th>Amount Repaid</th>
<th>Amount Outstanding in May 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr 61-Dec 62</td>
<td>Fraser, Trenholm &amp; Co.</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>?</td>
<td>Huse-Isaac, Campbell &amp; Co.</td>
<td>?</td>
<td>£565,000</td>
<td>£565,000 by Sep 63, in bills of exch., gold, and Erl. loan money)</td>
<td>?</td>
</tr>
<tr>
<td>Jun 61</td>
<td>Huse-Edwin De Leon</td>
<td>?</td>
<td>2,000</td>
<td>£1,820</td>
<td>£180</td>
</tr>
<tr>
<td>Sep 61</td>
<td>Anderson-Davis</td>
<td>5% int; 2 1/2% comm; first remittances from Confederacy</td>
<td>------</td>
<td>30,000</td>
<td>(cancelled)</td>
</tr>
<tr>
<td>Sep 61</td>
<td>G.H. Giddings-?</td>
<td>?; cotton to be shipped</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Feb 63</td>
<td>M.F. Maury-Torr</td>
<td>?; about $250,000 in cotton bonds</td>
<td>25,000</td>
<td>£25,000 by Jul 63 from Erl. loan proceeds</td>
<td>------</td>
</tr>
</tbody>
</table>

- 27
- 28
- 29
- 30
- 31
- 32
<table>
<thead>
<tr>
<th>Date of Advance</th>
<th>Parties to Contract</th>
<th>Provisions of Contract (interest, commission, security)</th>
<th>Amount of Advance</th>
<th>Amount Repaid</th>
<th>Amount Outstanding in May 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-Jun 63</td>
<td>?-E.Erlanger &amp; Co.</td>
<td>?; 5 million lbs of cotton warrants and $1 million 8% bonds</td>
<td>£300,000</td>
<td>£300,000</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>by Jul 63 from Erl. loan proceeds</td>
<td></td>
</tr>
<tr>
<td>23 Jul 63</td>
<td>Huse-Fraser, Trenholm&amp;Co.</td>
<td>10% comm; cotton to be shipped</td>
<td>60,000</td>
<td></td>
<td>£60,000</td>
</tr>
<tr>
<td>23 Jul 63</td>
<td>Huse-Mercantile Trading Co. Ltd.</td>
<td>20% comm; cotton to be shipped</td>
<td>---</td>
<td>£150,000-300,000 (cancelled)</td>
<td>---</td>
</tr>
<tr>
<td>Jan 64</td>
<td>McRae-Erlanger&amp;Co.</td>
<td>50% comm; £50,000 in Erlanger&amp;Co. Erl. bonds</td>
<td>20,000</td>
<td>£20,000</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Mar 64 from Erl. loan proceeds; comm. cancelled</td>
<td></td>
</tr>
<tr>
<td>18 Feb 64</td>
<td>McRae-Erlanger&amp;Co.</td>
<td>7% int; £300,000 in Erlanger&amp;Co. Erl. bonds</td>
<td>---</td>
<td>£100,000</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(probably cancelled)</td>
<td></td>
</tr>
<tr>
<td>Mar 64</td>
<td>M.F.Maury-?</td>
<td>?; $680,000 cotton bonds</td>
<td>?</td>
<td>?</td>
<td>---</td>
</tr>
</tbody>
</table>

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### TABLE III (CONTINUED)

<table>
<thead>
<tr>
<th>Date of Advance</th>
<th>Parties to Contract</th>
<th>Provisions of Contract (interest, commission, security)</th>
<th>Amount of Advance</th>
<th>Amount Repaid</th>
<th>Amount Outstanding in May 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr 64</td>
<td>Memminger-J. Fraser&amp;Co.</td>
<td>?</td>
<td>------</td>
<td>(probably never effected)</td>
<td>------ 39</td>
</tr>
<tr>
<td>Apr 64</td>
<td>?-Mercantile Trading Co. Ltd.</td>
<td>7% int; 30% comm; £480,000 in Erl. loan cotton certificates</td>
<td>£240,000</td>
<td>(never approved)</td>
<td>--- 40</td>
</tr>
<tr>
<td>May 64</td>
<td>McRae-J.K. Gilliat&amp;Co.</td>
<td>7% int; 5% comm; Erl. loan bonds worth £187,500</td>
<td>£150,000</td>
<td>---</td>
<td>£150,000 41</td>
</tr>
<tr>
<td>13 Jun 64</td>
<td>McRae-Alexander Collie &amp;Co.</td>
<td>?; cotton to be shipped</td>
<td>179,302</td>
<td>---</td>
<td>179,302 42</td>
</tr>
<tr>
<td>by Jul 64</td>
<td>Huse-?</td>
<td>?</td>
<td>40,000</td>
<td>---</td>
<td>40,000 43</td>
</tr>
<tr>
<td>by Jul 64</td>
<td>Huse-J.K. Gilliat&amp;Co.</td>
<td>7% int; 2 1/2% comm; $1 million C.S. 8% bonds</td>
<td>30,000</td>
<td>---</td>
<td>30,000 44</td>
</tr>
<tr>
<td>Jul 64</td>
<td>McRae-Prioleau</td>
<td>20% comm; cotton to be shipped</td>
<td>230,662</td>
<td>£21,892</td>
<td>208,770 45</td>
</tr>
<tr>
<td>by Nov 64</td>
<td>McRae-Fraser, Trenholm&amp;Co.</td>
<td>?</td>
<td>235,000</td>
<td>---</td>
<td>235,000 46</td>
</tr>
<tr>
<td>Date of Advance</td>
<td>Parties to Contract</td>
<td>Provisions of Contract (interest, commission, security)</td>
<td>Amount of Advance</td>
<td>Amount Repaid</td>
<td>Amount Outstanding in May 65</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------</td>
<td>--------------------------------------------------------</td>
<td>-------------------</td>
<td>--------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>by May 65</td>
<td>Perkins-King &amp; Co.</td>
<td>?</td>
<td>£ 38,866</td>
<td>£ 30,866</td>
<td>£ 7,934^47</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>£1,875,830</td>
<td></td>
<td>£911,186</td>
</tr>
</tbody>
</table>
This table shows that more than £1,875,830 came from short-term loans arranged by the Confederate agents in Europe. More than a quarter of this was repaid within a few months from the proceeds of the Erlanger loan, bills of exchange, or cotton from the Confederacy. But £911,186 was still unpaid at the end of the war.

Unfortunately, however, this sum is not nearly as accurate as the other figures that have been calculated. The sources are confusing and it is sometimes difficult to determine whether the money was actually advanced or whether the contract never went into effect. The amounts stated are generally those given in the contracts, but there is evidence that the actual amount of cash advanced often depended on the cost of the goods involved, and frequently varied from the contract amount by as much as £20,000. Finally, the extensive advances from Fraser, Trenholm and Co. in the early part of the war, along with the innumerable arrangements with manufacturers for delayed payments, simply cannot be found in the incomplete records. Yet this figure, £911,186, cannot be ignored when considering Confederate finances in Europe. It represented real income to the Confederates, in addition to the income from all other sources.
IV

Throughout the war, the Confederates in Europe also received income in other ways, primarily by the sale of ships. From time to time, ships which the Confederates had been using as transports or cruisers became obsolete or wore out. Several times the Confederates sold ships for cash which they used to buy what they needed.

In addition to these sales, which were normal transactions, foreign governments forced the Confederates to sell eight ships that had not even been launched. The Florida and the Alabama were built in British ports early in the war and went out to do great damage to Union shipping. As a result the United States put pressure on Great Britain, even threatening war, to insure that other cruisers built in England would not go out to cruise against American ships. The British government seized two ironclad rams being built by Laird Brothers of Liverpool and Sinclair's cruiser under construction at Glasgow. Britain also made it clear that North's ironclad, also under construction at Glasgow, would not be allowed to leave British waters. The Confederates decided to transfer all their shipbuilding operations to France and to sell the ships that could not leave England. They liquidated three of the ships this way, but Sinclair's
ship remained tied up in the legal tangle throughout the war. 48

In France Bulloch signed a contract for the construction of two ironclad rams and four wooden clipper ships, with Louis Napoleon's tacit approval. But an enterprising young man burglarized the offices of one of the shipbuilders, found papers proving that the ships were being built for the Confederacy, and sold the papers to the United States consul at Paris. When the story came out, Louis Napoleon denied any knowledge of the affair and ordered that the ships be sold to neutral countries. The Confederacy did regain control of one of the ironclads and it became the cruiser Stonewall, but they were forced to sell the other five. 49 The sales are summarized in Table IV.
<table>
<thead>
<tr>
<th>Date of Sale</th>
<th>Ship</th>
<th>Original Purchase</th>
<th>Original Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 62</td>
<td>Sumter</td>
<td>£6,000</td>
<td></td>
</tr>
<tr>
<td>Jul 63*</td>
<td>Agrippina</td>
<td>860</td>
<td></td>
</tr>
<tr>
<td>?</td>
<td>Laurel</td>
<td>9,350</td>
<td></td>
</tr>
<tr>
<td>Jan 64</td>
<td>North's ironclad</td>
<td>£182,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Jun 64</td>
<td>Georgia</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>Jun 64</td>
<td>Veddo, clipper built by Arman at Bordeaux</td>
<td>67,200</td>
<td>80,000</td>
</tr>
<tr>
<td></td>
<td>Ossacca, clipper built by Arman at Bordeaux</td>
<td>67,200</td>
<td>80,000</td>
</tr>
<tr>
<td></td>
<td>Cheops, ram built by Arman at Bordeaux</td>
<td>87,200</td>
<td>92,000</td>
</tr>
<tr>
<td>?</td>
<td>Two clippers built by Voruz at Nantes</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Jul 64*</td>
<td>Coquette</td>
<td>16,000</td>
<td></td>
</tr>
<tr>
<td>Aug 64</td>
<td>Two Laird rams</td>
<td>£220,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>£879,210</td>
<td></td>
</tr>
</tbody>
</table>

The total income from sales of ships, £879,210, is a minimum figure because it is likely that other Confederate-owned ships were sold. Since these ships would have brought only £10,000 to £15,000 each at the most, not much more than £50,000 could have been added by further sales.

These ship sales were a very important source of income for the Confederates in Europe during 1864. One point of view could be that the sales did not represent new income,

* Estimated
but only the conversion of frozen assets--purchases from
the Erlanger loan or bills of exchange--back into liquid
assets. This is true, but in 1864 Confederate shipbuilding
shifted from heavy fighting ships to fast blockade runners.
The ships sold were ironclads and cruisers which could just
as easily have been total losses, languishing in the har-
bors of England or France. Instead, they were turned into
money.

V

There were a few other sources of income. It was the
custom in England for companies receiving large orders to
give gratuities to the person who had arranged the order.
Maury refused to accept them, but both Huse and Anderson
accepted the money and immediately deposited it in the
Confederate account. There is no way of knowing how much
the Confederates gained this way. The only sum actually
mentioned was by Major Edward C. Anderson in September 1861
-- £250 on a £10,000 order. 60

In addition, Fraser, Trenholm and Co. paid interest
to the Confederacy on the money that was deposited with
them. Their books show entries of interest to the credit
of the various bureaus and departments of the Confederacy.
These amounts total £5,004.1.0. 61
Whenever they could, the Confederates insured their steamers and cargoes. In the fall of 1864, the Confederate steamer *Matilda* was lost and the insurance company paid £18,000. Heyliger's records as the Confederate depositary at Nassau show that he received £11,841.11.4 in various insurance payments, and Fraser, Trenholm and Co. received similar payments amounting to £4,434.6.9.  

Under the new Confederate trade regulations announced in February 1864, Confederate ships in foreign ports had to pay small fees to the Confederate agents there. Heyliger collected £140 in fees through January 1865. The trade through Bermuda was not so large as through Nassau, and the depositary there may have collected £100 in fees.  

The miscellaneous sources of funds which produced varying amounts of funds for the Confederate agents in Europe are summarized in the following table.

<table>
<thead>
<tr>
<th>TABLE V--SUMMARY OF MISCELLANEOUS INCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Confederate States 8% Treasury bonds</td>
</tr>
<tr>
<td>Sales of cotton bonds and certificates</td>
</tr>
<tr>
<td>Short-term loans never repaid</td>
</tr>
<tr>
<td>Sales of Ships</td>
</tr>
<tr>
<td>Gratuities</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Insurance</td>
</tr>
<tr>
<td>Fees</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
This is an approximate total and probably a minimum one as well. The proceeds derived from one of the cotton certificates transactions and two of the ship sales have been estimated. The smallest possible income from the short-term loans is used, and there were probably additional ship sales, receipts from insurance policies, and gratuities.

Despite the miscellaneous nature of this income, its importance is obvious. Most of it was received in 1864 from short-term loans and the sales of ships, and helped to avert a financial crisis in that year. In late 1862 and early 1863, when Confederate needs were the greatest, short-term loans were similarly important, and along with the sale of cotton certificates, somewhat eased that crisis.
FOOTNOTES


3 [Mason] to [Slidell], January 28, 1863, in the James M. Mason Papers, Division of Manuscripts, Library of Congress (hereinafter referred to as Mason Papers) gives the total of Confederate States securities under Spence's control as $5,500,000. Memminger to Mason, October 24, 1862; Huse to Mason, January 31, 1863; [Mason] to [Slidell], February 4, 1863; in Mason Papers. Memminger to Mason, October 24, 1862 is also in O. S. 7261/39, H. O. 45, P. R. O. and in the London Times, February 4, 1863, DU Clippings, 1862-65, in the Thomas Haines Dudley Collection, Henry E. Huntington Library and Art Gallery, San Marino, California (hereinafter referred to as Dudley Collection). Spence to Memminger, December 2 and 19, 1862 and January 17, 1863; J. Fraser and Co. to Memminger, December 13, 1862; in RG 365, E 8. Fraser, Trenholm and Co. to George A. Trenholm, August 31, 1864, in Records Relating to Confederate Agents in Europe, Record Group 365, Entry 320, National Archives (hereinafter referred to as RG 365, E 320). Bernard Avegno
to Benjamin, January 10, 1863, in C. S. A. Archives.
Josiah Gorgas to Caleb Huse, August 25, 1863, in DU 1814,
Dudley Collection. Stephen R. Mallory to James D. Bulloch,
September 20, 1862 and January 14, June 19 and July 20,
1863, in Official Records of the Union and Confederate
Navies in the War of the Rebellion, series 2, volume II,
pages 269-71, 339, 440, 467 (hereinafter referred to as
ORN, 2, II, 269-71, 339, 440, 467). Gorgas to James A.
Seddon, December 5, 1862; Seddon to Colin J. McRae,
September 26, 1863, in The War of the Rebellion: A
Compilation of the Official Records of the Union and Con-
federate Armies, series 4, volume II, pages 227, 827
(hereinafter referred to as OR, 4, II, 227, 827).

The Ledger of Accounts of the Disbursing Clerk of
the Treasury Department, 1861-1863, Record Group 109,
chapter x, volume 122, National Archives (hereinafter re-
ferred to as RG 109, ch. x, vol. 122) shows $7,500,000 of
bonds of the act of August 19, 1861 issued to Fraser,
Trenholm and Co. Navy Requisitions 159, 161, 169 and 185
and War Requisitions 1848 and 1943 in Requisitions of the
War and Navy Departments on the Treasury Department for
Funds, Record Group 109, chapter x, volumes 236-7 and 245,
National Archives (hereinafter referred to as RG 109, ch.
x, vols. 236-7 and 245) indicate that $7 million of these
bonds were issued to Bulloch, Huse, Matthew Fontaine Maury
and James B. Ferguson. But only the $5,550,000 of them
ever reached Europe. The answer lies in a request by
Secretary of the Navy Mallory to Memminger that the war-
rants for Maury in 8% bonds be paid in cotton bonds
instead; the Treasury bonds were cancelled, but the records
were not changed. Mallory to Memminger, November 7, 1862,
in Intercepted Letters and Papers, Record Group 59, Entry
515, National Archives (hereinafter referred to as RG 59,
E 515). Mallory to Bulloch, October 27, 1862, in ORN, 2,
II, 284.

4 Spence to Mason, May 5 and 7, 1863, in Mason Papers.
Spence to Memminger, May 9 and August 1 and 29, 1863;
Fraser, Trenholm and Co. to Trenholm, September 30, 1864;
in RG 365, E 8. Fraser, Trenholm and Co. to Trenholm,
August 31, 1864; McRae to Trenholm, November 4, 1864; in
RG 365, E 320. Trenholm to Seddon, August 12, 1864, in
OR, 4, III, 588.
RG 109, ch. x, vol. 122 shows $3 million in bonds of the Act of February 17, 1864 issued to Fraser, Trenholm and Co. on August 8 and $1 million on September 27, 1864; there is no indication that the last $1 million ever reached Europe.

5


6

Memminger to Spence, February 7, 1863; Spence to Mason, December 7, 1863; in Mason Papers. Charles K. Prioleau to Memminger, November 6, 1862, in RG 365, E 8.

7

McRae to Memminger, October 24, 1863; Fraser, Trenholm and Co. to Trenholm, August 31, 1864; Confederate States of America in account with E. Erlanger and Co., December 31, 1863; in RG 365, E 320. McRae to Memminger, October 24, 1863 is also in OR, 4, II, 987. John Slidell to Benjamin, October 25, 1863, in RG 365, E 8 (also in C. S. A. Archives). Mallory to Bulloch, June 27, 1864; Bulloch to Mallory, August 25, 1864; in ORN, 2, II, 678, 712. Confederate States Treasury Department in account with McRae, December 31, 1863, in Records Relating to the Erlanger Loan, Record Group 365, Entry 323, National Archives (hereinafter referred to as RG 365, E 323). Treasury Department in account with Fraser, Trenholm and Co., December 1863-August 1868, in DU 4677, Dudley Collection.

8

Spence to Mason, April 29, 1863, in Mason Papers. Avegno to Memminger, March 30, 1863, in C. S. A. Archives. Fraser, Trenholm and Co. to Mallory, April 8, 1864, in Records Concerning Confederate Property in Europe, Record Group 365, Entry 319, National Archives (hereinafter referred to as RG 365, E 319). Trenholm to McRae, December 13, 1864, in Letters Sent by the Secretary of the Treasury, Record Group 365, Entry 2, National Archives (hereinafter referred to as RG 365, E 2). Bulloch to North, March 17, 1863; Bulloch to Mallory, May 16, 1863; Slidell to Benjamin,

9 Todd, Confederate Finance, 179.

10 Secret Act of April 16, 1862; Bulloch to Mallory, September 24, 1862; in ORN, 2, II, 182-3, 274-8. George T. Sinclair to Mason, September 5, 1862; Bulloch to Mason, September 15, 1862; James Galbraith and Edgar P. Stringer to Mason, September 17, 1862; Mason to Benjamin, September 18, 1862; [Mason] to [Slidell], September 27, 1862; in Mason Papers. Mason to Benjamin, September 18, 1862 is also in C. S. A. Archives; Bulloch to Mason, September 15, 1862 is also in ORN, 2, II, 268. Mason to Mallory, September 18, 1862, in C. S. A. Archives.


12 Mason to Benjamin, September 18, 1862; Stringer to Mason, September 23, 1862; Memminger to Mason, October 24, 1862; Memminger to Mallory, October 30, 1862; in Mason Papers. Mason to Benjamin, September 18, 1862 is also in C. S. A. Archives.

13 Memo, October 31, 1862; Copy of Bond, 1862; William S. Lindsay to Mason, November 3, 1862; Mason to Benjamin, November 4, 1862; Benjamin to Mason, January 15, 1863; in C. S. A. Archives. Mason to Benjamin, November 4, 1862 is also in ORN, 2, III, 590-3; Benjamin to Mason, January 15, 1863 is also in ORN, 2, III, 648-51 and Mason Papers.

14 [Matthew Fontaine Maury] to Bob [Minor?], April 21, 1863, in Matthew Fontaine Maury Papers, Division of Manuscripts, Library of Congress (hereinafter referred to as Maury Papers). Spence to Memminger, March 14, May 9 and August 29, 1863; John Fraser and Co. to Memminger, December 13 and 29, 1862 and August 3, 1863; Mason to Memminger, May 6, 1863; in RG 365, E 8. Memminger to Mason, October 24, 1862; [Mason] to Memminger, May 6, 1863; [Mason] to [Slidell], May 9, 1863; in Mason Papers. Memminger to
Jefferson Davis, April 9, 1863, in RG 59, E 515. Memminger to Mallory, October 30, 1862, in O. S. 7261/39, H. O. 45, P. R. O. RG 109, ch. x, vol. 122 shows $1,500,000 certificates of the act of April 21, 1862 issued to Fraser, Trenholm and Co.

15 [M. F. Maury] to [Minor?], April 21, 1863; M. F. Maury to Mallory, July 6, 1863; in Maury Papers. North to Mason, February 19, 1863; Mason to Benjamin, December 10, 1862 and February 5 and March 30, 1863; Spence to Mason, December 31, 1862 and January 23, 1863; [Mason] to [Slidell], January 9 and 28, 1863; in Mason Papers. Mason to Benjamin, March 30, 1863 is also in ORN, 2, III, 730-1; Mason to Benjamin, December 10, 1862 and February 5, 1863 are also in C. S. A. Archives. North to Bulloch, January 2, 1863; Bulloch to North, December 16 and 23, 1862 and January 20, 1863; Bulloch to Mallory, January 23 and June 3, 1863; Bulloch to Spence, July 3, 1863; North to Mallory, February 13, 1863; in ORN, 2, II, 311-2, 319, 329, 342-6, 360-1, 451, 658.

16 [M. F. Maury] to [Minor?], April 21, 1863, in Maury Papers. Preliminary agreement, October 28, 1862; L. Fursheim to Huse, October 16, 1862; Mason to Benjamin, November 4, 1862; Benjamin to Mason, January 15, 1863; Slidell to Mason, February 19, 1863; in Mason Papers. The preliminary agreement is also in C. S. A. Archives; Benjamin to Mason, January 15, 1863 is also in C. S. A. Archives and ORN, 2, III, 648-51. Slidell to Benjamin, October 28, 1862; Benjamin to Slidell, January 15, 1863; in C. S. A. Archives. Benjamin to Slidell, January 15, 1863 is also in ORN, 2, III, 654-7. Contract, January 8, 1863; Slidell to Memminger, March 17, 1863; Prospectus, March 19, 1863; McRae to Memminger, July 9, 1863; in RG 365, E 8. Agreement, April 7, 1863; E. Erlanger and Co. to Memminger, June 6, 1863; in DU 4576, Dudley Collection. The agreement of April 7, 1863 is also in ORN, 2, III, 737-8. Huse to William G. Crenshaw, April 16, 1863, in OR, 4, II, 539. Mason to Erlanger, April 24, 1863, in ORN, 2, III, 749.

17 [M. F. Maury] to [Minor?], April 21, 1863; M. F. Maury to Mallory, July 6, 1863; in Maury Papers. Diary, in Maury Papers, June 22 and 25, July 2, 6, 10 and 15, August 11, 12 and 13, September 17, 22 and 27, October 6 and November 6 [1863] and [January] 16 [1864] (hereinafter


25 Memo of agreement, January 1864; McRae to Memminger, March 16, 1864; McRae to E. Erlanger and Co., February 13 and March 2, 1864; in RG 365, E 320. Treasury Department in account with McRae, June 2, 1864, in RG 365, E 323. E. Erlanger and Co. to Memminger, March 18, 1864, in RG 365,
E 8 (also in Lieber Papers). McRae to E. Erlanger and Co., December 23, 1863; memo, February 18, 1864; copy of protocol, March 1864; in Lieber Papers.

26 McRae to Seddon, July 4, 1864, in OR, 4, III, 526.

27 See footnote 20.

28 See footnote 21.

29 T. C. DeLeon to Seddon, May 22, 1863; Gorgas to Huse, July 17, 1863; in DU 4576, Dudley Collection. Edwin DeLeon to McRae, April 14, 1864, in C. S. A. Archives.

30 Diary, September 13, 14, 17, 20 and 23, 1861, in Edward Clifford Anderson Papers, Southern Historical Collection, University of North Carolina (hereinafter referred to as Anderson Diary).

31 Benjamin to Memminger, December 2, 1861, in C. S. A. Archives.


33 See footnotes 23 and 24.


35 Huse to Stringer, September 2 and 8, 1863; agreement, July 23, 1863; in RG 59, E 515.
36 See footnote 25.

37 Ibid.

38 Maury Diary, March 10 and 11, 1864.

39 John Fraser and Co. to Memminger, April 7, 1864, in RG 365, E 8.


42 Memo of agreement, June 13, 1864; McRae to Seddon, July 4, 1864; Seddon to McRae, August 1, 1864; in OR, 4, III, 526, 529-30, 566-7. Trenholm to McRae, October 28, 1864, in RG 365, E 2. Alexander Collie to McRae, November 14, 1864; McRae to Trenholm, November 18, 1864; in RG 365, E 320.

43 McRae to Seddon, July 4, 1864, in OR, 4, III, 527.


45 Memo of agreement, July 7, 1864, in RG 365, E 8. Prioleau to McRae, May 12 and enclosures and May 17, 1864; McRae to Prioleau, May 15 and enclosures and May 21, 1864; McRae to Memminger, August 4, 1864; List of Vessels Building by Contract and Bought under Agreement with Fraser, Trenholm and Co., n. d.; in RG 365, E 320. Mallory to Fraser, Trenholm and Co., March 23, 1864; Mallory to Memminger, July 14, 1864; in RG 59, E 515. McRae to Seddon, July 4, 1864, in OR, 4, III, 525.

46 McRae to Trenholm, November 4, 1864, in RG 365, E 320.
47. King and Co. to Edmund Kirby Smith, May 27, 1865; E. K. Smith, Special Order Number __, May 29, 1865; in Edmund Kirby Smith Papers, Southern Historical Collection, University of North Carolina, Chapel Hill, North Carolina.


50. Throughout this chart an asterisk is used to indicate that the amount or date is estimated. The original purchase price paid by the Confederacy for the ships is given only in those cases where the ship was never used by the Confederates and had to be sold because of the orders of foreign governments. Todd's Building of the Confederate Navy is excellent on the financial facts of ship contracts, purchases and sales in Europe.


1864; Bulloch to Mallory, February 18, 1864; North to
Mallory, May 5 and July 5, 1864; in ORN, 2, II, 271-2, 326-9,
581-3, 587-8, 651-2, 681.

55 Maury Diary [June] 3 [1864]. Bulloch, Secret
Service, II, 263-5. Barron to Mallory, January 11, 1864;
Mallory to Barron, February 24, 1864; Bulloch to Mallory,
June 3 and July 8, 1864; in ORN, 2, II, 571-2, 594-5, 663,
682-4. Account entitled "Thomas Bold pr Georgia," in
Curry, Kellock and Co. Ledger No. 2, January 1861-January
1866, in the vault of C. W. Kellock and Co. Ltd., Cunard
Building, Liverpool. [Dudley] to [Seward], May 4, 1864,
in DU 1183, Dudley Collection.

56 Balance sheet from Arman's office, July 1, 1866,
in Bigelow, France and the Confederate Navy, 103. Contract,
July 16, 1863; Bulloch to Arman, February 8 and July 15,
1864; Slidell to Benjamin, June 2, 1864; Bulloch to Mallory,
June 10 and August 25, 1864; in ORN, 2, II, 464-6, 590-1,
691, 665-8, 709-11; III, 1139-41. Bulloch, Secret Service,
I, xviii. B. P. Brasher to Isaac F. Redfield, June 1,
1867, in RG 365, E 319.

57 Bulloch, Secret Service, I, xviii. Brasher to
Redfield, June 1, 1867, in RG 365, E 319.

58 Bulloch, Secret Service, II, 236. Mallory to
Bulloch, July 18, 1864, in ORN, 2, II, 687-8.

59 Bulloch, Secret Service, I, 440, 442. Bulloch to
A. Bravay and Co., February 7, 1864; Bulloch to Mallory,

60 Anderson Diary, September 26, 1862. Crenshaw to
Seddon, May 5, 1863, in OR, 4, II, 544-5. Thomas Bold to
M. F. Maury, April 26, 1865, in Maury Papers.

61 Fraser, Trenholm and Co. accounts, in DU 4577,
Dudley Collection.

62 P. C. Martin to Mason, March 3, 1862, in Mason
Papers. Trenholm to McRae, October 4, 1864, in Miscellaneous
Letter Book, Letters Sent by the Secretary of the
Treasury, Confederate Museum, Richmond. Louis Heyliger,
Salary Account, November 22, 1864, in RG 365, E 8 (also in

63 Treasury Department in account with Fraser, Trenholm and Co., DU 4577, Dudley Collection. Heyliger to Memminger, May 27, October 6, November 20 and December 1, 1864, in RG 365, E 8.

64 [Mason] to [Slidell], October 23, 1864, in Mason Papers.
CHAPTER 4

A CONFEDERATE FINANCIAL SUCCESS IN EUROPE:

THE ERLANGER LOAN

The Confederacy's one successful effort to raise money in Europe with a large bond issue demands and deserves close attention. After lengthy negotiations in Europe and in the Confederacy, the Confederate cotton bonds were offered for sale on March 19, 1863 by Emile Erlanger and Co. of Paris. The bonds represented a twenty-year loan at an interest rate of seven per cent per year, and the bonds could be converted into cotton at the option of the holder. Thus the bond issue was a combination of the best points of the Confederacy's previous efforts to sell Treasury bonds and cotton certificates.

The Confederacy's sales of eight per cent Treasury bonds raised only £4,746. Their cotton certificates provided only £120,000. The Erlanger loan made £1,413,682 available in 1863. The importance of these funds, in a time when the supply of bills of exchange had been exhausted and cotton shipments had not yet begun, is not hard to imagine.
When Emile Erlanger and Co. floated the £3 million Confederate cotton loan in March 1863, the Confederate representatives in Europe had good reason to hope that the loan would produce money they urgently needed to buy more ships and war supplies. But less than three weeks after the loan was issued the Confederacy was deep in a manipulation of the London stock market which involved an outlay of more than half of the proceeds of the loan. Criticism of this effort to raise money in Europe emerged then, and it has yet to disappear.

The critics have made their accusations freely, their main evidence being the paltry sum that was actually gained from the loan. John Bigelow, the United States Consul General in Paris during the Civil War, estimated in 1888 that the Confederates had received only £800,000 from the £3,000,000 loan. John C. Schwab, in The Confederate States of America: A Financial History (1901), looked much more closely at the problem and calculated that the net receipts of the loan had totalled £1,283,930. The most recent detailed discussion of this question is by Frank L. Owsley in King Cotton Diplomacy (1931), where the cash proceeds of the loan are estimated to have been only £519,800. All of these writers imply that the small amounts collected from a loan
that should have been £3,000,000 prove that this attempt by
the Confederacy to raise money in Europe was a failure.²

There is really no reason for this confusion over the
actual amount of money that the Confederacy gained from the
Erlanger loan. Documents are available in Record Group 365
of the National Archives in Washington, D. C., which make
possible a calculation of the net proceeds from the loan up
to October 1864.³ It is necessary to estimate only the
money received between October 1864 and May 1865, and there
is no evidence to suggest that any other than routine
transactions took place in that period. Furthermore, a
comparison of the results of these calculations to the
largest proceeds possible under the stringent terms of the
loan contract indicate that the responsibility for the
greatest part of the discrepancy between the amount actually
received and the £3,000,000 lies in the terms of the contract,
not in the management of the loan. Finally, a consideration
of the financial practices in the London market of that time
suggests that it would have been difficult to get any better
terms for such a high-risk organization as the unrecognized
Confederate government.

The first agreement between Erlanger and Co. and the
Confederate agents in Europe, made in October 1862, called
for a 20-year loan of £5,000,000 at eight per cent annual interest. It was to be floated in the markets of Europe by Erlanger and Co., who would receive a commission of five per cent of the face value of the loan. By the agreement, Erlanger and Co. guaranteed the placement of £400,000 of bonds at seventy-seven per cent of their face value, in return for an option on the rest of the bonds at the same price. As an incentive to investors, the bonds could be converted into certificates representing cotton in the Confederate States of America at a price of sixpence per pound of cotton. The Confederate government promised to deliver the cotton to within ten miles of a railroad station or navigable river in the South.

The final contract was signed in Richmond by Erlanger's agents and Secretary of the Treasury Memminger, and was approved by a secret act of the Confederate Congress in January 1863. This contract contained most of the basic elements of the original proposal, including the provision for converting the bonds into cotton certificates. But the face value of the loan was reduced to £3,000,000. Gradual retirement of the bonds was also provided for: beginning one year after the issue date, there were to be semi-annual drawings of the bonds and one fortieth of the principal
would be paid back to the investors at each drawing. The annual interest—seven per cent instead of eight per cent—was payable in sterling semi-annually, beginning six months after the issue date. Erlanger and Co. were to receive a five per cent commission on the face value of the loan, and a one per cent commission on the semi-annual interest and principal payments. The investors were to buy the bonds in a series of installments over a seven-month period, and Erlanger and Co. were to pay the proceeds of the loan to the Confederates at the same rate. The company was to receive a seven per cent per year discount if they paid the installments ahead of schedule.

Another difference in the final contract was that it provided for Erlanger and Co. to buy all the bonds from the Confederates, paying the government a contract price of seventy-seven per cent of the face value; but the company could sell all but £300,000 of the bonds back to the Confederates. The effect of this provision was that Erlanger and Co. guaranteed to float only the £300,000 of bonds and they would receive the difference between seventy-seven per cent of the face value and the issue price on all of the bonds they were able to sell. The issue price turned out to be ninety per cent so this difference was thirteen
per cent. The final provision of the contract said that the company would have fourteen days after the arrival of the contract in Paris to decide whether or not to float the loan; but apart from this decision, they would lend the Confederacy £60,000 immediately, in exchange for bonds.\(^5\)

The European market was favorable and Erlanger and Co. published the prospectus for the loan on March 19, 1863—just three days after a copy of the Confederate Congress's secret act arrived. Among other things, the prospectus stated that Erlanger and Co. would withhold the first two interest payments from the loan money to be given to the Confederates. In truth, the company withheld one principal payment as well.\(^6\)

The bonds were issued at a price of ninety per cent of their face value. Subscriptions were open for three days in London, Liverpool, Amsterdam, Paris, and Frankfort, and the loan was oversubscribed more than five times. Altogether more than £16,000,000 was subscribed—almost totally in London—and for the first five days the loan was quoted at 92 3/4 to 95. The £3,000,000 of bonds were allotted to the investors in proportion to the amount each investor had asked for. The investors had paid five per cent of the face value of the bonds when they subscribed, and they paid ten
per cent more when the bonds were allotted. The next ten
per cent payment was due on May 1, and the settling of
accounts in the market to get ready for this payment was to
be on April 24.7

On March 23, however, the price began to fall, and by
April 1 it was below 90. Along with other friends of the
Confederacy, Erlanger and Co. bought bonds on the market to
try to support the price, but on about April 5 the company
said that they could afford to buy no more. They recommend-
ed that they be authorized to use the Confederate loan
money—secretly—to buy bonds on the market. They were
afraid, they said, that the investors might sacrifice the
fifteen per cent they had already paid in if the quotation
dropped too low. In addition to the obvious financial loss
to the Confederacy, the failure of the loan would show the
world that Europe had no faith in the new Southern
government.8

On April 6, Confederate agents met with Emile
Erlanger in Paris and signed a formal agreement allowing
Erlanger and Co. to buy bonds on the Confederacy's account
to the face value of £1,000,000. On April 24, this author-
ity was extended to cover £1,500,000. In all, bonds to
the face value of £1,517,000 were bought on the
Confederacy's account between April 7 and 24. During this period, the daily quotation on the loan rose from 87 to 91 or 92. With the improved position of the loan the settling day passed and the investors paid the ten per cent installment due on May 1.9

On June 13, Erlanger and Co. agreed to accept the thirteen per cent difference between seventy-seven per cent and ninety per cent of the bonds' face value that was owed them in bonds of the loan instead of cash, but they still insisted that the five per cent commission be paid in sterling. On June 18, they signed a contract with Colin J. McRae, the Confederate agent for the loan in Paris, in which the company promised to sell the bonds that the Confederates still had on hand after several sales and debt cancellations—£704,000—within six months or pay McRae a penalty of £140,000 in bonds. When the company was unable to sell any portion of the bonds, Erlanger and McRae worked out a compromise and McRae received £100,000 in bonds instead of the full penalty.10

The price of the bonds ranged generally between 88 and 92, until the news of Gettysburg and Vicksburg early in July sent it tumbling from 89 1/4 to 60 between July 18 and August 5. After that, the price continued to fluctuate
with the war news from the South. The Confederates were eventually able to sell all but £509,000 of the £1,517,000 in bonds they had bought, putting the total face value of bonds sold (and resold) at £2,491,000. Some of them were sold in the market at prices varying between 45 and 90, and more were used to cancel debts against the Confederacy in Europe. The Confederate agents in Europe were successful in making the interest and principal payments, until they stopped operating in June of 1865. It was mainly because of these regular payments and the convertibility of the bonds into cotton that no one considered the Confederate bonds to be a particularly bad investment, despite their low quotation, until the spring of 1865 when it became obvious that the Confederacy was going to lose the war.\textsuperscript{11}

From this outline of events, it is evident that the total amount of money received by the Confederacy as a result of the loan operation can be calculated if these questions can be answered. What was the initial income—ninety per cent of the face value—from the loan? What was the total amount that the Confederate government spent buying bonds when it was trying to support their price? What did the Confederacy gain from bond resales and the use of bought-back bonds to cancel debts? How much were the interest and
principal payments? How much did the Confederates actually pay Erlanger and Co.—five per cent commission on the loan's face value plus thirteen per cent profit (the difference between the contract price and the issue price) plus one per cent commission on interest and principal payments? What were the miscellaneous expenses of floating the loan and maintaining the Confederate agency in Europe? How much did the Confederate government receive in interest from Erlanger and Co. during the periods when the money from the loan was deposited with the company? Where does Erlanger's £100,000 penalty for non-fulfillment of the contract with McRae fit in? Since Owsley has raised the question of the difference between cash proceeds and the total of cash and credit receipts, what were the contributions of each type of transaction?

The initial income from the loan was ninety per cent of its face value, or £2,700,000. Between April 7 and May 1, Erlanger and Co. bought back more than half of the bonds in their effort to support the price for the Confederacy. They bought bonds with a face value of £1,517,000 at an average price of 90.96, costing the Confederacy £1,379,863. The Confederacy then began to dispose of the bonds, trying not to disturb the market.
Seven transactions account for all income to the Confederacy from reselling bonds or from using bonds to cancel the Confederacy's debts. Four of these transactions took place before the end of July 1863, resulting in the resale of £813,000 of the bonds. Throughout the fall and winter of 1863, McRae repeatedly reported the amount of bonds on hand to be £704,000.¹³ When £813,000 is subtracted from McRae's original figure of £1,517,000, the remainder is £704,000. Thus all of the transactions that took place in that complicated spring and summer of 1863 are accounted for.

The first transaction was on April 30, 1863, when £20,000 of the bonds were sold at 91 5/8, bringing in about £18,340. On May 29, the sale of £200,000 of bonds was entered in the Confederate books; they were sold at 90 1/2 and netted £181,000. At about this same time £150,000 of bonds were used to cancel part of the debt owed to Saul Isaac, Campbell and Co. of London. This firm received the bonds at the issue price of 90 and cancelled a debt owed them of £135,000. The last transaction before August 1863 was the arrangement in which Erlanger and Co. agreed to take their thirteen per cent profit in bonds. To do this they accepted bonds to the face value of £443,000 and relieved the Confederacy of paying them a debt of £390,000, which
amounted to a sale at 88 for the Confederacy. With these
bargains the Confederates succeeded by midsummer of 1863 in
getting rid of all but £704,000 of the bonds—and at prices
ranging from 88 to 90 5/8. The contract of June 18 between
Erlanger and Co. and McRae had also arranged for the company
to sell the remaining £704,000 of bonds at 90.96 within six
months or pay McRae a penalty of £140,000 in bonds. Until
early in July when Gettysburg and Vicksburg vastly changed
the prospects for the Confederacy, everyone was confident
that this parcel of bonds could be sold with little or no
loss. 14

From August 1863 through February 1864, the company
made no attempt to sell the Confederate-owned bonds; Erlanger
apparently preferred to forfeit the £140,000 penalty rather
than sell at the prevailing price of 60 and take a loss of
30.96 in his own pocket. In February, the company paid
£100,000 in bonds to McRae under the compromise agreement,
and gave him back the £704,000 of bonds they hadn't been
able to sell. Like Erlanger, McRae was not anxious to sell
at 60. However, three times in the next six months he sold
small amounts of the bonds to meet pressing needs. On March
31, 1864, he sold £70,000 of bonds at prices ranging from
45 to 48, clearing £32,471. Other entries in McRae's books
show sales of £85,000 of the bonds between March 20 and June 6, at prices varying between 53 and 66, and netting £48,375. The last current account entry available in McRae's books is dated October 1, 1864, and lists the sale of £40,000 of the bonds at 74 1/2 to 75, which netted £29,850. These transactions left the Confederacy with £509,000 of the bonds still unsold. The grand total of all bond sales, resales, and debt cancellations was £2,491,000. There is no way to be sure that no more sales took place after October 1, but McRae's reports through November 18 mention none and he repeatedly said that he didn't want to sell Erlanger bonds unless it was absolutely necessary. 15

All told, the Confederates managed to cancel debts with or resell £1,008,000 face value of the bonds and put £835,036 back into the loan account. Since the Confederacy spent £1,379,863 buying bonds, it lost £544,827 trying to support their price. Of course, the loss in the market operation is larger if, as Owsley suggests, the cancellation of debts cannot be counted. From his viewpoint, neither the £135,000 credited by Saul Isaac, Campbell and Co. nor the £390,000 that Erlanger and Co. credited to the Confederate account as the company's profit may be considered. Counting
only cash transactions, the income from resales is £310,036
and the loss is £1,069,827.

**TABLE I—LOSS IN THE MARKET MANIPULATION**

<table>
<thead>
<tr>
<th></th>
<th>Cost of purchase of £1,517,000 bonds @ 90.96</th>
<th>£1,379,863</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash income from resales:</td>
<td>Cash Loss</td>
<td>£1,069,827</td>
</tr>
<tr>
<td>April 30, 1863</td>
<td>£ 20,000 @ 91 5/8 =</td>
<td>£ 18,340</td>
</tr>
<tr>
<td>May 29, 1863</td>
<td>200,000 @ 90 1/2=</td>
<td>181,000</td>
</tr>
<tr>
<td>March 31, 1864</td>
<td>70,000 @ 45-48 =</td>
<td>32,471</td>
</tr>
<tr>
<td>March-June 1864</td>
<td>85,000 @ 53-66 =</td>
<td>48,375</td>
</tr>
<tr>
<td>October 1, 1864</td>
<td>40,000 @ 74-75 =</td>
<td>29,850</td>
</tr>
</tbody>
</table>

Cash Loss

Income from debt cancellations:

- May 31, 1863 £150,000 @ 90 = £135,000
- July 23, 1863 443,000 @ 88 = 390,000

Loss £544,827

In addition to the money the Confederacy lost in their adventure into the market, Confederate agents had to make interest and principal payments to the investors out of the loan money available in Europe. The total amount spent on these payments can be documented through October 1864. The payments due in March 1865 were made, but the accounts for that date are not available and it is necessary to estimate the amount paid.

The principal payment was one fortieth, or two and one-half per cent of the total face value of the bonds in the investors' hands, and the interest was one half of seven per cent, or three and one-half per cent of the same total.
In March of 1865 the Confederacy still held the £509,000 in bonds it had not been able to resell, plus the £100,000 penalty Erlanger and Co. had paid in bonds to McRae. The drawings in March and September 1864 had paid off £102,629 of the bonds, and by March 1865 the investors had converted £386,200 of bonds into cotton certificates. The investors, therefore, probably held £1,912,171 of bonds in March 1865; the interest on this amount was £66,926 and the principal payment was £47,814.

**TABLE II--ESTIMATE OF MARCH 1865 INTEREST AND PRINCIPAL PAYMENTS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loan</td>
<td>£3,000,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Bonds in C.S. hands</td>
<td>£609,000</td>
</tr>
<tr>
<td>Bonds previously drawn</td>
<td>102,629</td>
</tr>
<tr>
<td>Bonds converted to cotton</td>
<td>376,200</td>
</tr>
<tr>
<td>Bonds in hands of public, March 1865</td>
<td>1,087,829</td>
</tr>
<tr>
<td>Interest payment (3 1/2% of £1,912,171)</td>
<td>£66,926</td>
</tr>
<tr>
<td>Principal payment (2 1/2% of £1,912,171)</td>
<td>£47,814</td>
</tr>
</tbody>
</table>

The table below shows the total of all the interest and principal payments, both calculated and estimated. The first two interest payments and the first principal payment were withheld by Erlanger and Co. from the proceeds of the loan and were actually never received by the Confederates; when it came time to make these payments to the public, Erlanger and Co. paid it from the money they had withheld. The
September 1864 and March 1865 payments were made with difficulty by the Confederates from the proceeds of the sales of ships and the marketing of Erlanger bonds at low prices.\textsuperscript{17}

TABLE III--TOTAL INTEREST AND PRINCIPAL PAYMENTS

<table>
<thead>
<tr>
<th></th>
<th>Interest Payment</th>
<th>Principal Payment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept. 1863</td>
<td>£ 80,360. 0.0</td>
<td>------</td>
<td>£ 80,360. 0.0\textsuperscript{18}</td>
</tr>
<tr>
<td>March 1864</td>
<td>71,878. 7.0</td>
<td>£ 51,429. 3.0</td>
<td>123,307.10. 0\textsuperscript{19}</td>
</tr>
<tr>
<td>Sept. 1864</td>
<td>68,582.10.0</td>
<td>51,200. 0.0</td>
<td>119,782.10. 0\textsuperscript{20}</td>
</tr>
<tr>
<td>March 1865</td>
<td>66,926. 0.0</td>
<td>47,814. 0.0</td>
<td>114,740. 0.0</td>
</tr>
<tr>
<td>(estimated)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>£287,746.17.0</td>
<td>£150,443. 3.0</td>
<td>£438,190. 0.0</td>
</tr>
</tbody>
</table>

Erlanger and Co. were paid a large part of the loan proceeds under the terms of their contract. The Confederacy paid them their profit, the difference between 77 and 90, by giving them £443,000 in bonds to cancel the £390,000 debt.

The company's five per cent commission on the face value of the loan--£150,000--was paid in cash on June 18, 1863. They collected their one per cent commission on the interest and principal payments when the Confederacy paid the latter to the company. They withheld £2,035.16.0 commission in June 1863 when they withheld the first two interest and the first principal payments, and the Confederacy paid them £1,197.16.0 in September 1864 and about £1,147 in March 1865.

In all, Erlanger and Co. were paid commissions totalling £544,375 in cash and bonds, or £154,374.12.0 in cash alone.\textsuperscript{21}
There were several other relatively minor expenses which must be deducted from the proceeds of the loan. Between March 1863 and October 1864, the agents spent £3,193.14.0 and called it "expenses of the agency." This covered the agents' salaries, travelling expenses, the rent on an office in Paris, and so on, making an average expenditure of £638.14.0 per quarter. If the expenses from October 1864 through June 1865 were at the same rate, a total of about £1,916.4.0 was spent in those three quarters and the total cost of maintaining the Paris agency was £5,109.18.0. The other miscellaneous expense in the accounts was dated June 18, 1863 and was for £4,571.16.0, which went for advertisements, stamps, and the like, for issuing the loan. All of these miscellaneous expenses add up to £9,681.14.0.\(^\text{22}\)

In addition, McRae and Erlanger and Co. kept a running account of miscellaneous interest payments between them, and whatever the balance was at the end of the quarter was credited to or debited from McRae's account. Presumably McRae was credited with the interest on the loan money while it was deposited with Erlanger and Co., and was debited with the company's discounts for advance payments, and their interest on any other advances. An entry in the interest account dated October 1, 1864, shows a balance on the credit side for McRae of £8,784.6.0. The grand total of the amounts of
the interest entries added to and subtracted from McRae's quarterly statements is the same as this credit balance. It is conceivable that there were other interest payments, but by October 1864 the Confederacy had spent so much of the loan proceeds that very little was left in the account to earn interest, and any interest payments would have been very small. 23

The £100,000 penalty that McRae got from Erlanger and Co. for nonfulfillment of the June 1863 contract was paid in bonds, not cash. It raised the potential income from the loan by increasing the amount of bonds McRae had on hand and for sale. It decidedly did not represent any actual income, either in cash or by debt cancellations. 24

With all this information, it is possible to calculate the proceeds of the Erlanger loan up to October 4, 1864, and to estimate the proceeds from then until May 1865.

**TABLE IV--PROCEEDS FROM THE ERLANGER LOAN**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial amount received (90% of £3,000,000)</td>
<td>£2,700,000</td>
</tr>
<tr>
<td>Less, Amount lost in market operation</td>
<td></td>
</tr>
<tr>
<td>Gross receipts</td>
<td>£2,155,173</td>
</tr>
</tbody>
</table>

26
Less,
Erlanger's 13% profit £390,000. 0.0
Erlanger's 5% commission 150,000. 0.0
Interest and principal
payments withheld 203,667.10.0
1% commission withheld 2,035.16.0
Misc. expenses of issue 4,571.16.0
£750,275. 2.0
£1,404,897.18.0

Plus,
Interest received, to Sept. 31, 1864 8,784. 6.0
Net proceeds £1,413,682. 4.0

Less,
Sept. 1864 and March 1865 interest and principal
payments £234,522.10.0
1% commission on same 2,344.16.0
Expenses of the agency 5,109.18.0
£241,977. 4.0
£1,171,705. 0.0

Final total (after all disbursements for the loan)

The most important figure that emerges from these calculations is £1,413,682. 4.0—the total amount that the Confederates received from the loan for use in Europe during the year and a half between March 1863 and October 1864. By early 1863, the Confederacy's shipments of bills of exchange and gold coin to England had slowed to a standstill. The Confederate agents in Europe were penniless, and it was likely that work would stop on ships and other materiel they had contracted for unless some sort of payment was made soon. The Confederate agents, both in Europe and the Confederacy, were working on a plan to ship cotton across the Atlantic on a regular basis to provide money in Europe, but it was going
to be at least a year before this scheme would make any real profit, and the European agents needed money immediately.
During this critical period the Erlanger loan provided the Confederacy with £1,413,682.4.0 that it would not have otherwise had. Even if the final total after all expenses £1,171,705 is taken as the net proceeds, the loan must still be rated invaluable as an interim measure.

Since historians of Confederate finance have always subtracted all the principal and interest payments made throughout the war from the loan proceeds, both the £1,413,682.4.0 and the £1,171,705 figures will be used in comparison with other estimates. As mentioned earlier, Bigelow estimated in 1898 that the Confederacy had received only £800,000 from the loan. But Bigelow's calculation procedure is so weak that his figures cannot be taken seriously. He merely took the £1,200,000 he thinks was lost in the market, added the £1,000,000 that was paid for ships that were never delivered, and subtracted the sum of these from the total of £3,000,000 to come up with his estimate of £800,000 gained.29

Schwab's estimate requires a closer look. He calculated the net proceeds of the loan as £1,283,930 using this method:
**TABLE V--SCHWAB’S ESTIMATE OF THE ERLANGER LOAN PROCEEDS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face value of the loan</td>
<td>£3,000,000</td>
</tr>
<tr>
<td>Amount of loan placed (face value)</td>
<td></td>
</tr>
<tr>
<td>2,296,000 at 77%</td>
<td>£1,767,920</td>
</tr>
<tr>
<td>70,000 at 66%</td>
<td>46,200</td>
</tr>
<tr>
<td>125,000 at 60%</td>
<td>75,000</td>
</tr>
<tr>
<td>Gross receipts of loan</td>
<td>£1,889,120</td>
</tr>
<tr>
<td>Add</td>
<td></td>
</tr>
<tr>
<td>Interest on deposits (say)</td>
<td>£10,000</td>
</tr>
<tr>
<td>Penalty under contract</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>£1,999,120</td>
</tr>
<tr>
<td>Deduct</td>
<td></td>
</tr>
<tr>
<td>Bankers' 5% commission</td>
<td>£124,550</td>
</tr>
<tr>
<td>Expenses of agency</td>
<td>7,190</td>
</tr>
<tr>
<td>Bonds redeemed</td>
<td>255,200</td>
</tr>
<tr>
<td>Interest on bonds</td>
<td>325,000</td>
</tr>
<tr>
<td>Bankers' 1% commission</td>
<td>3,250</td>
</tr>
<tr>
<td></td>
<td>£715,190</td>
</tr>
<tr>
<td>Net receipts of loan</td>
<td>£1,283,930</td>
</tr>
</tbody>
</table>

Schwab does not give specific references to the sources of his information, so it is impossible to check his work. His total of £2,491,000 of bonds sold is correct, although he gives only rough figures for the amounts received from the various sales. He does not calculate the small losses involved when the Confederacy bought bonds at about 91 and resold them at prices ranging from 88 to 91; he merely lumps all of these sales together at 77. Adding the £100,000 penalty to the receipts from the loan is an obvious mistake, and it accounts for the greatest part of the discrepancy between his final figure and the one in Table IV. He bases
Erlanger and Co.'s five per cent commission on the face value of the bonds eventually resold after the Confederacy's market manipulation, when the commission was actually paid on the full face value of the loan. His estimate of the amount of bonds redeemed is high; probably he assumed that the first drawing of bonds was at the same time as the first interest payment, instead of six months later. Considering that Schwab worked from fragmentary records, his estimate comes remarkably close to the figure now available. But he does underestimate the amount of money that was available to the Confederates when they really needed it in Europe by deducting all of the interest and principal payments instead of only those that Erlanger and Co. withheld.

Owsley has made the most recent estimate of the proceeds of the Erlanger loan. His work can be summarized as follows:

TABLE VI--OWSLEY'S ESTIMATE OF THE ERLANGER LOAN PROCEEDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face value of bonds in hands of public after Confederacy market manipulation</td>
<td>£1,500,000</td>
</tr>
<tr>
<td>68% of face value, or amount Confederacy actually received</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Penalty paid by Erlanger and Co.</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Less,</strong></td>
<td></td>
</tr>
<tr>
<td>Principal payments</td>
<td>£255,200</td>
</tr>
<tr>
<td>Interest payments</td>
<td>325,000</td>
</tr>
<tr>
<td><strong>Net cash proceeds</strong></td>
<td>£  519,800</td>
</tr>
</tbody>
</table>
Owlsley then goes on to talk about several uses of Erlanger bonds to cancel debts or as collateral for new loans, but he never mentions any amount larger than £519,800 for the net proceeds of the loan. 32

Owlsley's estimate is open to several serious criticisms. He finds his first figure--£1,500,000--by subtracting the face value of the bonds the Confederacy purchased secretly (about £1,500,000) from the face value of the loan (£3,000,000). He apparently forgot that nearly two-thirds of the bonds the Confederacy bought were later resold--all but £509,000. Since he is concerned only with cash transactions, he would not count the bonds used to cancel debts, but he should not ignore the £310,036 that the Confederates received in actual cash from bond resales. Owlsley arrives at his second figure by taking sixty-eight per cent of the face value of the bonds he thinks the public held. It is difficult to understand exactly where he got this figure, but it is obvious that his percentage is off by at least thirteen per cent. Since he is interested only in cash payments, and since the Confederates paid Erlanger and Co. their thirteen per cent profit in bonds, Owlsley should begin subtracting the various commissions from ninety per cent instead of seventy-seven per cent. Owlsley also makes the mistake of adding the
£100,000 penalty that Erlanger and Co. paid McRae to the receipts of the loan; since this penalty was paid in bonds, it should not be included in any calculation of cash proceeds. Finally, Owsley's estimate of the interest and principal payments is high. 33

From the records available, it is possible to calculate the actual cash income from the loan:

**TABLE VII--CASH INCOME FROM THE ERLANGER LOAN**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial amount received (90% of face value)</td>
<td>£2,700,000</td>
</tr>
<tr>
<td>Less,</td>
<td></td>
</tr>
<tr>
<td>Amount lost in market operation</td>
<td>£1,069,827</td>
</tr>
<tr>
<td>Gross receipts</td>
<td>£1,630,173</td>
</tr>
<tr>
<td>Less,</td>
<td></td>
</tr>
<tr>
<td>Erlanger's 5% commission</td>
<td>£150,000.00</td>
</tr>
<tr>
<td>Interest and principal payments withheld</td>
<td>£203,667.10</td>
</tr>
<tr>
<td>1% commission withheld</td>
<td>£2,035.16</td>
</tr>
<tr>
<td>Miscellaneous expenses of issue</td>
<td>£4,571.16</td>
</tr>
<tr>
<td></td>
<td>£360,277.20</td>
</tr>
<tr>
<td></td>
<td>£1,269,895.18</td>
</tr>
<tr>
<td>Plus,</td>
<td></td>
</tr>
<tr>
<td>Interest received to September 31, 1864</td>
<td>£8,784.60</td>
</tr>
<tr>
<td>Net proceeds</td>
<td>£1,278,680.40</td>
</tr>
<tr>
<td>Less, Later interest and principal payments</td>
<td>£234,522.10</td>
</tr>
<tr>
<td>1% commission on same</td>
<td>£2,344.16</td>
</tr>
<tr>
<td>Expenses of the agency</td>
<td>£5,109.18</td>
</tr>
<tr>
<td></td>
<td>£241,977.40</td>
</tr>
<tr>
<td>Final total (after all disbursements for the loan)</td>
<td>£1,036,703.0</td>
</tr>
</tbody>
</table>
It is difficult to understand why credit transactions should be eliminated from a computation of the loan proceeds. If this method is accepted, however, a calculation of the cash proceeds of the loan from the information now available indicates that more than double what Owsley estimated was actually received.

Thus these past estimates of the loan proceeds must be rejected because of inaccuracies caused by using fragmentary records and invalid calculation procedures. The Confederacy gained £1,413,682 from a £3 million loan. What happened to the other £1,586,318?

In the past, historians have tried to find the answer in the market manipulation. Perhaps the issue price of 90 was too high and forced the Confederacy's entry into the market that cost it so much. Or possibly Erlanger and Co. and their friends took advantage of the Confederacy when it entered the market, selling the bonds that they had bought at 77 from the Confederacy back at 90 or above.

Since the market operation did cost the Confederacy £544,827 was the decision to enter the market wise? The price of the bonds could have been allowed to fall without any interference. It is very difficult to predict how far or how fast the price would have dropped. When half of the
bonds had been withdrawn from the market, the price steadied at 88 until bad news about the war sent it crashing. If the supply of bonds had not been restricted, and if the Confederate purchases had not created a false demand, it is very likely that the price would have fallen far and fast, causing the investors to panic. Since the investors had paid only fifteen per cent of the full amount when the price began to fall, it is probable that they would have forfeited their money rather than throw good money after bad.

The fifteen per cent already paid in amounted to £450,000. If the Confederates had decided to not enter the market and the investors had decided to not pay the upcoming installment, the Confederates would have cleared this amount (less Erlanger and Co.'s charges). By entering the market secretly, the Confederacy was able to quadruple the gross receipts of the loan (£2,155,173 instead of £450,000). 39

In addition to these financial reasons, there were important political considerations which urged the Confederates to prevent the loan from failing. All over Europe the loan was closely watched as an indicator of the confidence of the financial community in the rebel government. 40 In early
1863 the Confederates still hoped that there was a chance of recognition by France and England. The Confederacy wanted no apparent weakening of confidence to influence the statesmen who had to decide whether or not to give support. Thus the Confederates had no choice about entering the market; both financial and political considerations demanded that the loan be sustained.

It is possible that the market price of the loan might have remained at or above the issue price if the issue price had been lower than 90. Since the loan would then have been more attractive to the investor, he would have been less likely to want to sell his bonds or to forfeit his down payment. If the Confederates had been allowed to choose the issue price, they would have had to weigh the financial advantages of a low price against the political advantages of the highest possible price: the higher the price, the greater the confidence shown in the Confederacy. Under the contract, however, Erlanger and Co. had the right to decide what the issue price should be. Since the company was to receive all the proceeds above seventy-seven per cent of the loan's face value, there was apparently no incentive for them to set the price low. They did want to protect their reputation for making successful issues, however, and the
success of this issue was likely to give them all of the Confederacy's future business. Emile Erlanger said later that he had issued the loan at 90 because he thought a high issue price would help the Confederacy make a good political impression. Furthermore, he said that his business contacts in London had agreed with him that the chances were good for a successful issue at 90.\textsuperscript{41} Thus it appears that the responsibility for the loss from the market manipulation lies either in the loan contract or in the state of the financial market, which was obviously under no one's control. More to the point, the £544,827 lost in the market operation is clearly not the major part of the difference between £3,000,000 and £1,413,682.

The explanation for the greatest part of the elusive £1,586,318 can be found in the terms of the contract. Under the contract, the Confederates received only seventy-seven per cent of the face value of the loan and paid several commissions out of that. Allowing for the first two interest payments and the first principal payment that were withheld, the total amount that could possibly have been available to the Confederates during that first year would have been only £1,872,150. The later interest and principal payments by May 1865 would have reduced this figure to £1,516,504.
TABLE VIII--TOTAL POSSIBLE INCOME UNDER THE CONTRACT

Largest possible initial income
(90% of £3,000,000)  £2,700,000

Less,
  Profit to Erlanger & Co.
    (difference between 90
    and 77)  £390,000
  Commission (5%)  150,000
  Interest (first two
    payments)  210,000
  Principal (first payment)  75,000
  Commission (1% on above
    interest and principal
    payments)  2,850

Largest possible net for first year  £1,872,150

Less,
  Later interest payments  £202,125
  Later principal payments  150,000
  Later 1% commissions  3,521

Largest possible net throughout the
  war  £1,516,504

Next to these figures, the actual amounts received
(£1,413,682 or £1,171,705) do not look quite so small.42

Thus the major reason that the Confederates received
only about £1,400,000 from a loan of £3,000,000 seems to
lie in the terms of their contract with Erlanger and Co. of
Paris. Was Erlanger and Co.'s offer really the best one?

Could they have made better terms with another continental
or English banking firm? Were Erlanger and Co.'s commissions
unusually high? Were the rest of the provisions of the con-
tact as good as, or at least no worse than, the general
financial practices of that time?

A look at the customary practices in the financial circles of Europe in the early 1860's indicates it was extremely unlikely that the Confederates could have negotiated a contract substantially better than the one made with Erlanger and Co. The historians of Confederate finances have always examined the provisions of the Erlanger contract without considering the circumstances that dictated them. Like the Confederate officials in Richmond who were shocked at the price they were going to have to pay for the loan, historians have displayed similar naiveté about the practices current in the London financial circles of 1863. New techniques for raising large amounts of money were beginning to take shape. Many methods which were developed then are still in use today, and some have since been judged to be unethical or detrimental to the public interest. The banking firms which used these techniques, however, could raise larger sums of money for foreign investments than had ever been raised before. These firms specialized in high-risk undertakings, and they were generally successful. They demanded compensation in proportion to the risk and skill required.
London was the center of the financial world in the middle of the nineteenth century. German and French bankers were developing the new techniques, but there just was not as much money available for foreign investment on the Continent as there was in England. Furthermore, by 1860 English investors had become accustomed to dealing in the bonds of foreign railroads and governments. They preferred the higher dividends from these issues to the three per cent return on British government securities. This is why almost the entire Confederate loan was taken up by investors in England. 43

Baring's and Rothschild's led the English investors into the foreign securities market in the 1820's; by 1850, though, a number of continental firms were challenging the old established firms. These energetic young firms actively sought clients, put great emphasis upon prospectus writing as a means of advertising, and worked hard to see that the issues would be successful. As a general practice they bought a specified portion of the loan bonds from the client at a price below the issue price, which guaranteed the client that this part of the loan would be sold. In some cases this gave the firm the privilege of buying the entire issue from the client at that price. In other cases, the firm's
commission (up to seven per cent, but generally five per cent) compensated them for this guarantee. Having promised to sell a portion of the loan, the firm was therefore interested in seeing that the entire loan was safely sold, because when a loan failed it generally failed completely.\footnote{44}

When a prospectus was issued, investors would apply for bonds and the bonds would be allotted within about a week. The investor paid five per cent of the face value when he applied and ten per cent when the bonds were allotted. Before allotment, however, there were transactions in the bonds on the market: people sold bonds that they didn't have then, knowing they would receive or be able to buy the bonds at allotment time. This trading was generally at a slight premium and it was assumed that if the price ever dropped below the issue price the people to whom the stock was allotted would refuse the stock after all and the issue would fail. With this in mind, the banking firm would place a buying order with their broker when the prospectus was published and would buy all that was offered until the allotment had been made. They would then slowly sell what they had bought; since they had bought at a premium they did not want the price to fall before they had resold the stock. They anticipated a small loss in these transactions. In the
early 1860's, a few of these firms began sharing the risk of a large loss by forming a syndicate among other friendly firms to share the commissions, losses, and profits of their bond issues. 45

It is likely that most of the issues of foreign government bonds would have failed unless the firms had used these techniques. Sometimes the firms bought back as much as two-thirds of the original issue in order to raise the price before the bonds were allotted. In a few cases the money for these transactions came from the clients, but more often the syndicates supplied the funds. Later this practice was frowned upon, but in 1863 all the daring young firms were doing it. Foreign governments and railroads that needed money, but could not give the security required by the older, more conservative firms, had no choice but to borrow the money where they could. 46

Erlanger and Co. followed these market practices in their handling of the Confederate loan. They bought bonds before allotment, which pushed the price to 95 and made the issue a success. The effort cost them considerable time and trouble, a substantial amount of their own funds, and the risk that they would not be able to resell the bonds they bought; this is how they earned their commission. Less than
two weeks after allotment, however, the pressure of sales caused the price to fall to 88 and Erlanger persuaded the Confederates to enter the market to support the price. It is possible that Erlanger's own sales had contributed to the falling price, but Erlanger claimed he sold no stock below 90. In addition, he may have used the Confederacy's entry into the market as an opportunity to transfer his bonds to the Confederates at about 91. If this was the case he made no profit on the transaction, but he got rid of bonds that were a possible loss. 47

However, it is far more likely that Erlanger and Co. continued buying bonds during this same period in an effort to support the price. Erlanger himself said that he had, and the firm certainly had an incentive, since it would have been extremely bad for them to have one of their first issues in London fail. 48

The incentives for banking firms to handle these new issues of foreign government bonds were complicated. The firms could count on netting only one per cent out of their five per cent commission, since the cost of manipulating the market would eat up most of the rest. If the loan was a thorough success, they received the difference between the contract price and the issue price in cash. Often, though,
portions of this profit had to be paid to other members of the syndicate who shared an the risk of the venture. Other, less obvious, gains over a period of years were more important to the firms. In the long run the one per cent commission on the semi-annual interest and principal payments and the commissions on ordinary banking procedures involving the loan money gave the firms a more stable income. Often a firm became the general depository for a government's funds in Europe, and thus the firm had large sums available to invest. Since the loans were usually offered on four or five different markets in Europe, there was also the chance of commissions on exchanges from one currency to another. And finally, the successful floating of one loan for a foreign government was often rewarded with all of that government's future business. Obviously the firm had a better motive for good relations with a government than it had reason to make a large fast profit and run. 49

This look at the financial practices in London in the 1860's shows that the Confederacy's contract with Erlanger and Co. was not particularly out of line with the times. The five per cent commission was normal. It was customary for the client's contract price to be below the issue price, in return for a guarantee that the firm would sell a specified
portion of the loan. Almost always, the banking firms bought back bonds before they were allotted to the investors, and sometimes the firms used the clients' money. The British investing public was used to installment paying, and usually the payments were made over a six to eight month period. The clients generally put down some sort of security for making regular interest and principal payments; in the case of the Confederate loan, the security was the contract's provision for converting the bonds to cotton.

If the general condition of the market indicates that the Confederates could not have negotiated a better contract than the one with Erlanger and Co., a comparison of the Erlanger contract to the provisions of other offers from other firms will remove all doubt of it. In September 1862, Erlanger and Co. offered to negotiate a loan based on cotton for the Confederate government. This was the first offer to appear in the official correspondence of the Confederate agents in Europe. After the war, however, a favor seeker who had been rebuffed by the Confederates wrote that a Mr. Portaluppi of Genoa had proposed a loan of $100,000,000 in the spring of 1861. In this loan the Confederacy would have received about sixty-seven per cent of the face value and would have paid twelve per cent interest per year. If the
offer really was put to the Confederates, it must have been rejected immediately, because the Confederate officials never mention it.  

The Erlanger offer was the first one to receive serious consideration. It came at a time when the Confederates needed money, and it was the only proposition made to the Confederates until about May 1863. The single exception to this lack of alternatives was the scheme put forward by Lindsay and Co. of London. This company had sold £60,000 worth of cotton bonds for the Confederates, and they thought they could raise several thousand pounds more that way. The major disadvantages in this plan were the relatively small amount of money to be raised--thousands instead of millions--and the low price of the cotton (fourpence per pound).  

After Confederate credit had been established in March 1863 by the apparently successful Erlanger loan, the Confederates had the pleasant task of choosing between offers from several firms. Lafitte and Co. of Paris proposed a loan of £4 million. The details of this loan are not available, but a general description of it mentions seven per cent interest per year, five per cent commission, cotton as collateral at sixpence per pound, and a contract price for the Confederates of eighty per cent of the face value. 

Lafitte
and Co. withdrew the offer in July 1863. An association of bankers, probably Boucarue and Gentil of Paris and Devaux and Co. of London, made what the Confederate commissioner in Paris considered a more favorable offer in about June of 1863. Nothing more was ever heard of it; probably the negotiations stopped after the news of Gettysburg and Vicksburg. Finally, Erlanger and Co. proposed a new loan of £5 million on the same terms as the earlier one, except that the Confederacy and Erlanger and Co. would share equally all of the receipts above the contract price of seventy-seven. This offer was accepted by Memminger in Richmond, but there is no evidence that Memminger ever asked the Congress to vote on it. Actually, by the fall of 1863, McRae had decided that it would be impossible to raise a large amount of money on good terms unless the Confederates began to do better in the war, and he probably influenced Memminger. 52

Two more loan propositions were mentioned in the official correspondence. In December 1863, J. B. Maureau, who had been involved in several of the earlier negotiations, proposed a loan of £12 million--£4 million within ten months and the remainder after the peace treaty. This was actually a sale of cotton bonds paying seven per cent interest at eighty per cent of their face value, and the firm
would receive a five per cent commission on the bonds' face value. Maureau, however, would not name the banking firm to be involved. This plus McRae's pessimism prevented any further action.53

The other loan offer was accepted by the Confederacy. Confederate agents in Europe discussed this offer in the fall of 1864, and the Confederate Congress authorized it on January 4, 1865. It was a £15 million loan at an interest rate of seven per cent per year for twenty-five years, with a provision for the gradual retirement of the principal. The security for the loan was cotton, which was to be delivered to Havre ninety days before each payment was due. Only half of the £15 million was to be paid to the Confederacy in gold; the rest would be paid in the bills of a new bank to be formed in the Confederacy. Secretary of the Treasury Trenholm asked for an issue price of 50 to 70. A commission of one per cent on the face value, plus two per cent for expenses, would be paid to the contractor, M. Berle, Comte du Tremblin de Chauvigny.54

Since this offer came when the Confederates were facing defeat, it is understandable that it could not compare favorably to the earlier offers, and the low commission rate was its only asset. There were many drawbacks to the plan:
apparently, the highest possible issue price was 70; half of the proceeds were to be in bank notes instead of gold; and the Confederacy had to grant the new bank several privileges as its agent. It was one of the least advantageous plans presented to the Confederacy.

When they were looking for a loan, the Confederate agents in Europe had to choose among the offers open to them. From the available information, it appears that a five per cent commission on the face value of the loan, seven per cent interest per year, provision for the gradual retirement of the principal, cotton as security, and a contract price ranging from 67 to 80 were standard terms in most of the propositions. When the Confederates first began to feel a real need for money in Europe in the summer and fall of 1862, the first Erlanger offer was the only means available of raising large amounts of money. Even later, when other offers were received, none presented significant advantages over the Erlanger contract. Therefore, the Confederates made as good a bargain as possible.

Where, then, does the explanation lie for the relatively small amount of money that the loan made available to the Confederates? Actually there is no need to look for an explanation. The proportion of money raised from the
Erlanger loan to the amount that would have been repaid is not especially low. The effective annual interest rate that the Confederacy would have paid, if the loan had been repaid over a twenty-year period as planned, is not especially high. And finally, since the Confederacy never paid off the loan, the Confederates actually gained over £1,000,000 from the loan, free and clear, because repayment stopped when the war did.

It is possible to estimate the effective annual cost of the loan to the Confederacy. This can be found by adding together the commissions and profits paid to Erlanger and Co., the expenses of the loan issue, and the ten per cent discount given to the investors (the difference between 100 and 90). These expenses can then be averaged out over the twenty-year period of the loan and added to the seven per cent interest in the contract. By this calculation, the effective annual cost under the contract to the Confederacy of the money was about thirteen per cent, but because of the loss in the market operation it was a little over fifteen per cent per year.55

Although fifteen per cent per year does not compare favorably with the four to five per cent that the United States government now pays for money, the Confederacy was
not as good a risk as the United States is now. Consumers in America who have poor credit ratings now often pay private loan companies as much as thirty per cent per year for the money they need. Business firms which are considered bad risks make private loan contracts with effective annual interest rates from ten per cent to over one hundred per cent. The Confederacy was a rebel government fighting for survival, and for it an effective annual interest rate of fifteen per cent was not unreasonable. 56

Probably the best way to judge the Confederates' effort to raise money in Europe would be to compare it to the similar efforts of other governments in the nineteenth century. The Confederates cleared £1,413,682 on a promise to repay £2,339,571 for a ratio of money received to money owed of 60.4 per cent. The scattered information available indicates that young governments, or governments in particularly bad circumstances, often received only a small part of the amount they promised to return. During the war of 1812, the U. S. government raised $34,000,000 in the domestic market on a promise to repay $80,000,000, an income of only 42 1/2 per cent of what was to be repaid. Efforts to produce money in London generally netted seventy-five to eighty-five per cent of the amount eventually to be repaid. Many other
countries, however, made bargains as bad or worse than the Confederacy did. 57

**TABLE IX--PERFORMANCE OF SELECTED GOVERNMENT BOND ISSUES**

<table>
<thead>
<tr>
<th>Government</th>
<th>Year of Loan</th>
<th>Face Value of Loan</th>
<th>Stated Interest</th>
<th>Percentage of Face Value Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Columbia</td>
<td>1822</td>
<td>£2,000,000</td>
<td>?</td>
<td>32%</td>
</tr>
<tr>
<td>Chile</td>
<td>1822</td>
<td>1,000,000</td>
<td>6%</td>
<td>no more than 66%</td>
</tr>
<tr>
<td>Buenos Aires</td>
<td>1824</td>
<td>1,000,000</td>
<td>6%</td>
<td>57%</td>
</tr>
<tr>
<td>Mexico (average of two loans)</td>
<td>1824-25</td>
<td>$32,000,000</td>
<td>5&amp;6%</td>
<td>65 1/2%</td>
</tr>
<tr>
<td>Argentina</td>
<td>1866-68</td>
<td>2,500,000</td>
<td>6%</td>
<td>69 1/2%</td>
</tr>
<tr>
<td>Turkey (average of eight loans)</td>
<td>1854-74</td>
<td>136,000,000</td>
<td>?</td>
<td>about 52%</td>
</tr>
<tr>
<td>Argentina (railway)</td>
<td>1881</td>
<td>2,450,000</td>
<td>5%</td>
<td>68 1/2%</td>
</tr>
</tbody>
</table>

Historians who have criticized the Confederacy's effort to raise money in Europe by the Erlanger loan have judged from weak facts and from the narrow viewpoint of the financially unsophisticated borrower. They have indignantly compared the £500,000 (or, earlier, the £1,300,000) they thought the Confederates had received to the £3,000,000 they thought the Confederates would eventually have to repay. They saw the Confederate agents pay Erlanger and Co. a five per cent commission on the face value of the loan, plus thirteen per cent of the face value of the loan as a profit, plus a one per cent commission on interest and principal
payments, and they have decided that the Confederates were hoodwinked into a ruinous contract. They saw the Confederates plunge half of the loan proceeds into an effort to support the price of the bonds, and they have jumped to two conclusions: that this act was the major reason for the apparent failure of the loan, and that Emile Erlanger had encouraged the Confederates to do it to help his firm instead of the Confederacy.

A closer analysis of the loan proceeds, and a look at financial practices prevailing in mid-nineteenth-century London, lead to different conclusions. Thus the Confederate promise to repay about £2,300,000 in order to receive the immediate use of £1,400,000 is not so outrageous. The terms of the Confederate contract—promising apparently large commissions and profits to Erlanger and Co. and allowing the investors to pay in installments—are normal practices; in fact, the Confederates never had a better offer. The Confederacy's decision to enter the market to support the price of the bonds was the only possible one, both from a financial and political point of view. Although it is conceivable that Erlanger and Co. may have recommended the market manipulation so that they could unload their bonds onto the Confederacy, it is much more likely that they were more
interested in the benefits of future good relations with
the Confederacy.

The Confederate cotton loan through Erlanger and Co.
must be examined under this new light. Neither Erlanger
and Co. nor the Confederate agents in Europe nor the
Confederate officials in Richmond should be condemned for
their management of the loan. They all did their best in
an adverse situation to turn what could have been a disas-
trous failure for the Confederacy in Europe into a moderate
success. The loan provided £1,413,682 that was urgently
needed in 1863 at a rate consistent with the risk to the
investors and the contracting firm. From the Confederacy's
entry into the market to the most recent discussion of
Confederate finance, the critics of the Erlanger loan have
been wrong. The Erlanger loan was no failure.
FOOTNOTES


   Bigelow and Owsley do their calculations in dollars, converting from pounds sterling at roughly $5=£1; I have reconverted their figures to sterling at the same rate.

3 Record Group 365 at the National Archives in Washington, D.C. is the Treasury Department Collection of Confederate Records. The most important portions of the collection for a study of the Erlanger loan are: Entry 8, Letters Received by the Secretary of the Treasury; Entry 320, Records Relating to Confederate Agents in Europe; and Entry 323, Records Relating to the Erlanger Loan. Scattered throughout these entries are five accounts current between Colin J. McRae and the Confederate States Treasury Department which cover completely the time between his arrival in Paris and October 1, 1864. There are also copies of the quarterly accounts between the Confederate States of America and E. Erlanger and Co. of Paris, covering the entire period of their association up to September 25, 1864. And finally, there are copies of all but three of the thirty-one reports which McRae sent to the Secretary of the Treasury from his arrival until November 18, 1864 (the date of the last report found). These records, used in conjunction with the Mason Papers and the Confederate States of America Archives in the Division of Manuscripts of the Library of Congress and the Francis Lieber Papers at the Henry E. Huntington Library and Art Gallery in San
Marino, California, give a very complete picture of the loan transactions. Hereinafter, these collections will be referred to by short titles: RG 365, E 8; RG 365, E 320; RG 365, E 323; C. S. A. Archives; and Lieber Papers.

[Mason] to [John Slidell], September 27 and October 31, 1862; L. Fursheim to Caleb Huse, October 16, 1862; preliminary agreement, October 28, 1862; in Mason Papers. The preliminary agreement is also in C. S. A. Archives. Slidell to Judah P. Benjamin, October 28, 1862, in Official Records of the Union and Confederate Navies in the War of the Rebellion, series 2, volume III, pages 568-72 (hereinafter referred to as ORN, 2, III, 568-72).

Contract, January 8, 1863, in RG 365, E 8.

Prospectus, March 19, 1863; E. Erlanger and Co. to Memminger, June 6, 1863; McRae to Memminger, July 9, 1863; in RG 365, E 8. The prospectus is also in the files of J. Henry Schroder Wagg and Co. Ltd., London; E. Erlanger and Co. to Memminger, June 6, 1863 is also in Lieber Papers. McRae to E. Erlanger and Co.; June 13, 1863, in Lieber Papers. C. S. A. in account with E. Erlanger and Co., June 18 and December 31, 1863 and March 1864; Treasury Department in account with McRae, April [2], June 18 and July 18, 1864; in RG 365, E 320. Treasury Department in account with McRae, July 18, 1864 is also in RG 365, E 323. Treasury Department in account with McRae, December 31, 1863, in RG 365, E 323.

There is some question whether the first principal payment was withheld along with the interest payments. Although McRae repeatedly objected to the withholding of the second interest payment, he never mentioned the withholding of the principal payment. The accounts clearly indicate, however, that the March 1864 principal payment was withheld along with the September 1863 and March 1864 interest payments and the one per cent commission on the entire amount.


The following letters are most informative on the contract concerning the remaining £704,000 of bonds: Erlanger to McRae, June 18, 1863; McRae to Erlanger and Co., June 22, 1863; in RG 365, E 320. McRae to Memminger, July 9, 1863, in RG 365, E 8.


Erlanger to [McRae], October 27, 1863; [Erlanger] to Memminger, February 11, 1864; McRae to E. Erlanger and Co., February 15 and March 15, 1864; E. Erlanger and Co. to McRae, February 20, 1864; agreement, February 22, 1864; McRae to E. Erlanger and Co., March 15, 1864; E. Erlanger and Co. to Memminger, March 18, 1864; in Lieber Papers. McRae to Memminger, February 15, March 16 and 31, June 3, October 8 and December 18, 1864; McRae to E. Erlanger and Co., February 13, 1864; McRae to Schroeder and Co., February 19, 1864; Treasury Department in account with McRae, April [2] and July 18, 1864; McRae to George A. Trenholm, November 4 and 18, 1864; in RG 365, E 320. Memo, March 16, 1864; Treasury Department in account with McRae, October 4,
1864; in RG 365, E 323. See also footnote 11.

16 Slidell to Benjamin, September 13 and November 28, 1864, in C. S. A. Archives.

17 McRae to Memminger, March 31 and June 3, 1864; McRae to Trenholm, November 4, 1864; in RG 365, E 320. McRae to Memminger, July 18, 1864, in RG 365, E 8.


19 C. S. A. in account with E. Erlanger and Co., June 18 and December 31, 1863 and March 1864; Treasury Department in account with McRae, April [2], June 18 and July 18, 1864; in RG 365, E 320. Treasury Department in account with McRae, December 31, 1863, in RG 365, E 323.

20 Statement of Dividend and Drawing, September 1, 1864; Treasury Department in account with McRae, October 4, 1864; in RG 365, E 323. C. S. A. in account with E. Erlanger and Co., September 25, 1864, in RG 365, E 320.

21 For the McRae-Erlanger arrangement regarding the £390,000 owed, see footnote 10.

C. S. A. in account with E. Erlanger and Co., June 18 and December 31, 1863 and March 9 and September 24, 1864; Treasury Department in account with McRae, April [2] and July 18, 1864; in RG 365, E 320. Treasury Department in account with McRae, December 31, 1863 and June 2 and October 4, 1864; Statement of Dividend and Interest, September 1, 1864; in RG 365, E 323.

The figure for March 1865 is arrived at by taking one per cent of the total March 1865 payment in Table III.

22 Treasury Department in account with McRae, April [2] and July 18, 1864; C. S. A. in account with E. Erlanger and Co., October 1 and December 31, 1863; in RG 365, E 320. Treasury Department in account with McRae, December 31, 1863 and June 2 and October 4, 1864; Account of Expenses of the Agency of the Loan to December 31, 1863, dated April 14, 1864; Account of Expenses of the Agency of the Loan from January 1, 1864 to March 31, 1864, dated May 19, 1864; Statement of Expenses of the Agency, October 4, 1864; in RG 365, E 323.
Interest account, October 1, 1864; Treasury Department in account with McRae, December 31, 1863 and June 2 and October 4, 1864; in RG 365, E 323. Treasury Department in account with McRae, April [2] and July 18, 1864, in RG 365, E 320.

See the portion of footnote 10 relating to the compromise payment of £100,000 in bonds.

All amounts in this table which are estimated are marked with an asterisk; all other figures are documented.

See Table I.

See Table III.

See Table III.

Bigelow, *France and the Confederate Navy*, 188. See also footnote 2.

Schwab, *Confederate States of America*, 42.

Owsley, *King Cotton Diplomacy*, 380. See also footnote 2.


See Table I for the cash income from bond resales. To arrive at sixty-eight per cent, Owsley appears to have used this method. Begin with the seventy-seven per cent of the loan's face value that was paid to the Confederacy and subtract Erlanger's five per cent commission. Then subtract the one per cent commission on interest and principal payments, which comes to about two per cent of the face value. Finally subtract an erroneous eight per cent (it should have been seven per cent) on advance payments from Erlanger to the Confederacy, which is somehow estimated as another two per cent of the face value. Thus five per cent plus two per cent plus two per cent equals nine per cent, which when subtracted from seventy-seven per cent leaves sixty-eight per cent.

In Table VII, the figures which are estimated are marked by an asterisk; all of the rest are documented.
See Table I.

See Table III.

Ibid.

See Table I for the loss in the market operation.

See Table IV.

Erlanger to Memminger, June 6, 1863, in RG 365, E 8.

Ibid.

See Table IV.


Ibid., 17, 30-2. R. J. Truプtil, British Banks and the London Discount Market (London, [1936]), 131. Special Report from the Select Committee on Loans to Foreign States, House of Commons, Reports from Committees, 1875, XI, 127-8, 269-72, 278, 280-82, 285-6, 289, 292-3, 299-301, 303, 308-11, 443-4. (When stating page numbers from this report, I have used the revised page numbers rather than the ones originally printed.)


Committee Report on Loans to Foreign States, 1875, XI, 277.

In 1875, Emile Erlanger testified before the Committee. He explained his part in forming a syndicate for a loan to Costa Rica in 1872, and the way the syndicate had bought back bonds before their allotment. In that case the con-
tract between Erlanger and Costa Rica allowed him to use the government's funds for these transactions. Committee Report on Loans to Foreign States, 1875, XI, 268-82.

47 [Erlanger] to Memminger, February 11, 1864, in Lieber Papers. The advance of the price on the market between the publication of the prospectus and allotment from 90 to over 95 is the only evidence that Erlanger and Co. bought bonds before allotment to support the price. But it is extremely unlikely that the bonds of a foreign government would go to a premium without such efforts.

48 Erlanger to Memminger, April 8, 1863, in RG 365, E 8.


51 [Mason] to [Slidell], September 27, 1862; Edgar P. Stringer to Mason, October 13, 1862; in Mason Papers. Memo re Mason and William S. Lindsay conversation, October 31, 1862; Lindsay to Mason, November 3, 1862; Mason to Benjamin, November 4, 1862; in C. S. A. Archives.

52 Slidell to Benjamin, June 12 and July 1, 1863, in C. S. A. Archives. McRae to Memminger, July 9, October 2 and December 25, 1863; E. Erlanger and Co. to [Memminger], July 8, 1863; agreement, September 4, 1363; in RG 365, E 8. McRae to Memminger, December 25, 1863 is also in RG 365, E 320; E. Erlanger and Co. to [Memminger], July 8, 1863 is also in Lieber Papers. McRae to Memminger, October 24, 1863 and March 16, 1864, in RG 365, E 320. Slidell to Benjamin, July 6, 1863, in ORN, 2, III, 832-3. Pecquet Du Bellet, Diplomacy of the Confederate Cabinet, 56.

53 Proposition by J. B. Maureau, December 24, 1863; McRae to Memminger, December 25, 1863; McRae to Maureau, December 25, 1863, an enclosure in McRae to Memminger,

55 The method of calculating the annual effective cost to the Confederacy (or effective rate of interest paid by the Confederacy) was supplied to me by William Kelly, candidate for the Ph.D. in economics at Rice University. Insights into the derivation of this method can be found in William A. Paton, Corporation Accounts and Statements: An Advanced Course (New York, 1955), 217-25, 228-9, and in James H. Rossell and William W. Frasure, Managerial Accounting (Columbus, Ohio, 1964), 271-8, 544-5.

In order to find the effective rate of interest over the twenty-year period of the loan, the cost of the loan was calculated for each half-year and divided by the actual amount of funds which the Confederacy still held under the contract for that half-year. A weighted average of these semi-annual interest rates was then calculated. The costs of the loan for each year comprise the actual interest payment (3 1/2 per cent of the amount outstanding), the 1 per cent commission paid Erlanger and Co. on the payments made, and the net principal payment. The net principal payment is arrived at by subtracting the loss of funds (1/39 of the amount actually received by the Confederacy) from the principal payment (1/39 of the total face value of the bonds sold and eventually to be repaid).

In these calculations, £1,404,898 is taken as the amount received by the Confederacy, and £2,339,571 is the amount eventually to be repaid. See Table D for the first figure. (The initial income to the Confederacy after expenses is needed for the calculations, so the small interest payments the Confederacy received for the amount when it was deposited with Erlanger and Co. is not included).

For the second figure, it is necessary only to subtract from £3,000,000 the face value of the bonds the Confederacy would not have to repay for one reason or another. The Confederacy never resold £509,000 of the bonds, and they
received £100,000 in bonds from Erlanger and Co. for non-fulfillment of the June 18, 1863 contract. These bonds would obviously not have to be repaid. In addition, since the first principal payment was withheld by Erlanger and Co. (and has been deducted from the proceeds of the loan when arriving at the £1,413,682 figure), there would be no need to repay that £51,429 later. Three million pounds less £509,999 less £100,000 less £51,429 leaves £2,339,571 eventually to be repaid.


Mr. George Fleming (of Robinson and Co. of London) stated in 1875 that the cost to Paraguay of a £2 million loan in 1872 was 14 and a fraction per cent per year. In addition, he pointed out that the then current interest rate in that country was 2 per cent per month. Committee Report on Loans to Foreign States, 1875, XI, 302.

57 See Table IV for the total amount cleared by the Confederacy. Since this is a comparison of total income to total amount eventually to be repaid, the small amounts of interest received by the Confederacy from Erlanger and Co. are included in that figure.

See footnote 55, paragraph 4 for the derivation of the amount eventually to be repaid.

The $34 million figure is the specie value of the amounts raised by loans by the United States government, 1812-1816. Davis Rich Dewey, Financial History of the United States (New York, 1907), 134.


59 Charles A. McQueen, Chilean Public Finance (Washington, D.C., 1924), 42.


61 Edward Turlington, Mexico and Her Foreign Creditors (New York, 1930), 5, 36-7.


CHAPTER 5

COTTON SHIPMENTS

The most successful method of providing funds in Europe during peacetime had been the exportation of cotton. While the basically financial wartime methods were evolving --the sales of Treasury and cotton bonds, the shipments of bills of exchange and gold, and the Erlanger loan--the Confederate government also tried shipping cotton. There were several advantages to a government cotton export policy. The amounts of bills of exchange and gold in the Confederacy were limited and were being depleted rapidly, with no way to obtain more. The success of sales of Treasury bonds and cotton certificates in Europe depended on the Europeans' confidence in the Confederacy's ability to survive the war and eventually repay debts. But cotton delivered on the quay in Liverpool could be sold immediately for hard cash, and the Confederacy had large quantities of cotton with the capacity to produce more.

Several factors delayed the beginning of the government's cotton exports. One of them was the sharp decline in
trade that accompanied the announcement of the blockade in April 1861. There were very few ships in Confederate ports in the first year of the war, so the government could hardly have sent the cotton out even if it had wanted to. Another factor was the decision to try to force Europe to help the Confederacy by withholding cotton from them. Europeans thought there was an embargo on cotton and saw no reason to send ships to the Confederate ports if cotton was not available.

The "embargo" on cotton, however, was almost entirely unofficial. In September 1861, Secretary of the Treasury Memminger answered a routine inquiry with the information that cotton would of course be cleared for export since there was no law of Congress against it. In November of 1861 the Treasury Department made an attempt to export cotton for the government, and in early December the War Department sent an agent to Matamoras, Mexico, with the authority to pay for purchases with cotton exported from Texas. When the Executive Council of the state of South Carolina passed resolutions on April 14, 1862, prohibiting the export of cotton, Memminger immediately told his customs officials to ignore them. Arguing that they were against "sound policy," Memminger succeeded in having the resolutions
suspended a week later. The Treasury Department, at least, was aware of the importance of cotton exports to foreign purchasing and stabilizing Confederate currency. 1

The Confederacy's first effort to export cotton began with the arrival of an available ship. The British ship Fingal, actually owned by the Confederacy, docked at Savannah in November 1861 carrying a large cargo of arms and supplies. Memminger told John Fraser and Co. to buy a cargo of cotton for the Fingal to carry back to England. The ship was loaded with 399 bales of cotton and 150 barrels of rosin, but by then the Union blockade of Savannah was very tight and in February 1862 the effort to get the Fingal out was abandoned. In the middle of March Memminger arranged to buy the steamer Economist and send her out with the Fingal cotton plus enough additional cotton to give her a full cargo. She left Charleston for Liverpool on April 3. 2

In March Memminger asked John Fraser and Co. about shipping large quantities of cotton for the government. The firm replied that it would be very difficult to find other ships: the only two vessels then in port that planned to carry cotton out were already loading. John Fraser and Co. offered to sell the cotton on one of the ships to the govern-
ment, but Memminger declined the offer. Yet he asked John Fraser and Co. twice again that month about the possibilities of shipping government cotton. The firm replied each time that there would be no ships available in Charleston for some time.  

The government made its next effort to export cotton in August 1862, when the scarcity of bills of exchange became apparent. In reply to another inquiry from Memminger, John Fraser and Co. explained that private blockade runners always carried out full cargoes for themselves in order to purchase return cargoes in England. The firm did, however, offer Memminger the use of half the cargo space on each of the four steamers they themselves ran between Charleston and the islands. They estimated, though, that this arrangement would produce only £37,000 for the government every five or six weeks. Apparently Memminger did not take advantage of this offer either.  

In the fall of 1862 the Confederacy acquired several ships and began an effort to export cotton in earnest. In January, two fast paddle-wheeled steamers, the Cornubia and the Giraffe, arrived in Wilmington. Caleb Huse, advised by James Bulloch, had bought both of them for the Ordnance Bureau in the fall of 1862, but they were still registered
as British ships and usefully neutral. These two ships, later renamed the *Lady Davis* and *Robert E. Lee*, became the basis of a small fleet of blockade runners that the Ordnance Bureau operated in 1863. Huse increased the fleet by buying the steamers *Merrimac*, *Eugenie* and *Heroine* and Chief Josiah Gorgas of the same Bureau bought the steamer *Phantom*. One other steamer, the paddle-wheeler *Coquette*, also began running the blockade during 1863, but she belonged to the Navy Department.5

The *Merrimac* proved to be too slow and heavy for this trade, and she probably never ran the blockade. The *Cornubia* made at least eight round trips from Wilmington to Bermuda and back, carrying an average of about 350 bales of cotton each trip out. The *Robert E. Lee* steamed twice to Nassau and four times to Bermuda, usually carrying about 600 bales of cotton. The *Eugenie* began her career about May 1863 and made four trips to Bermuda and one to Nassau, averaging about 350 bales of cotton per trip. The *Phantom* made two trips to Bermuda, averaging about 350 bales per trip; she did not get started until July and was lost in October. The *Heroine* made two trips with cotton to Nassau and back. Bulloch bought the *Coquette* in October 1863, and she was sold about July 1864. While she was in service she
made at least two trips between Wilmington and Nassau, averaging more than 1100 bales of cotton per trip. The death blow to this fleet came in early November 1863, when both the Cornubia and the Robert E. Lee were captured. Only the Heroine and the Coquette operated for very long after that. The Eugenie was lost in January 1864. These Ordnance steamers had demonstrated that the government could export cotton profitably, but the demonstration was over. The Confederacy bought a few more steamers in 1863 and early 1864, but none made many trips through the blockade or contributed much to cotton exporting.  

The beginning of regular shipments of cotton in January 1863, however, made it necessary for the Confederacy to organize a system to purchase cotton for export. The Confederate government owned an extensive amount of cotton as a result of the Produce Loan Acts. These acts allowed Confederate citizens to buy Produce Loan bonds by turning over cotton, tobacco or other goods to the government. But most of this cotton was pledged for the redemption of the cotton bonds, the cotton certificates, and the Erlanger bonds. The government had to buy the cotton it needed for export. When a government bureau or department needed funds in Europe, it used Confederate dollars which it had received
from the Treasury Department under a regular appropriation to buy a quantity of cotton. Most often the department asked Memminger to have his Treasury Department agents in the Confederacy, who were already familiar with the cotton market, do the purchasing, but the cotton always remained the individual department's property. In 1864 much of the cotton was sent out on the general Treasury Department account, but in 1863 the greatest part was shipped on the accounts of the Navy, Quartermaster, Medical, or Commissary Departments, or the Ordnance Bureau.

In order to ship the cotton quickly and keep track of the supplies that the steamers brought in, Memminger and Secretary of War Seddon sent agents to Wilmington and Charleston. At first, J. M. Seixas handled both ports. Later, he confined his activities to Wilmington, and J. D. Aiken handled cotton at Charleston. In the winter of 1863-1864, the Army established a Bureau of Foreign Supplies to buy all the cotton for export, supervise the activities of all the government steamers, and receive and distribute the imported supplies. Lieutenant Colonel Thomas L. Bayne was put in charge of this new bureau, slightly extending the responsibilities he had already had under regular Army orders.
The Ordnance Bureau exported large amounts of cotton in 1863 on the government-owned steamers that Huse had bought. The Navy Department and Treasury Department shipped a quantity of cotton on private steamers, and the Navy Department bought a steamer of its own as soon as it could afford one. The owners of private steamers were not eager to carry cotton for the government, since it would cut down the profits they could make on their own cotton while the prices were high in Liverpool. It is probable that most of the cotton shipped privately by the Navy and Treasury Departments, and possibly also by the Quartermaster and Commissary Departments, went out on John Fraser and Co. steamers, since their private blockade-running firm was the one that was most cooperative with the government. The Medical Department was able to take care of a part of its needs by an agreement with the Ordnance Bureau. Huse had been making the Medical Department's purchases in England because he knew England well, and by July 1863 the Ordnance Bureau agreed to take cotton out on the Medical Department's account in Ordnance Bureau steamers. Gorgas admitted later that he relinquished the cargo space to the Medical Department only because the Medical Department was deep in debt to the Ordnance Bureau and most of the proceeds from the cotton
would go to repay the debt.  

In 1863 the Quartermaster Department and the Commissary Department as well found themselves with many creditors in England and no way to transport large quantities of cotton. Both these departments had started purchasing supplies abroad at a late date, but they had accumulated heavy debts. On December 18, 1862, Seddon wrote to the Confederate commissioner in England, James M. Mason, introducing William G. Crenshaw of Virginia. Crenshaw had been in the Confederate Army but had resigned his commission to go to England and make connections with an English firm in order to organize a line of blockade-running steamers. By March 1863, Crenshaw had arranged with Alexander Collie and Co. of Manchester to buy six blockade runners and had signed a contract with Mason agreeing that the government would have a three-quarters share in the ships and Crenshaw and Collie would have a one-quarter share.

The Confederate government had contracted with many individuals for the delivery of supplies in the Confederacy. These contractors had been largely unsuccessful and had cost the Confederacy a considerable amount of credit and prestige in Europe by their associations with disreputable firms and their unbusinesslike actions. When Crenshaw and
Collie made their contract, Huse's steamers were just begin-
ning to show a profit, and Huse considered Crenshaw just another one of these contractors. He also saw no reason for the existence of Crenshaw's steamers when his own were ser-
vying the same purpose. In addition, he was afraid that his would have to run empty if he were required to fill Crenshaw's steamers with government goods to be taken to the Confederacy. So Huse did everything in his power to prevent Crenshaw from carrying out his contract. He even went so far as to re-
fuse to honor a draft that one of Crenshaw's creditors pre-

tended. 11

Unfortunately, Huse judged wrongly in this case. Crenshaw and Collie were serious about fulfilling the con-
tract, Collie and Co. was a reputable firm and extended con-
siderable credit, and the Quartermaster and Commissary Departments in the Confederacy wanted to use these steamers to carry out cotton for them. Huse's fear that the Collie steamers would force his out of business was hardly defen-
sible in view of the great need to get supplies into the Confederacy and cotton out.

Crenshaw apparently wrote forcibly to Richmond because in May Huse was ordered not to buy any more steamers. In addition Crenshaw and Major James B. Ferguson, the Quarter-
master Department's European purchasing agent, accused Huse of several dishonest acts, from all of which he was eventually cleared. But the ill will which grew out of these events greatly damaged the Confederacy's efforts in Europe. The most obvious damage was the abrupt stopping of Huse's efficient blockade-running--his fleet was wiped out the next winter, and he could make no replacements.12

The problem of transporting cotton for the various bureaus of the Army was partially solved by an agreement on July 9, 1863, between the various heads of the bureaus. Basically, the agreement provided that Quartermaster and Commissary Department cotton would be shipped on the Collie steamers, and Ordnance Bureau and Medical Department cotton would be shipped on the Ordnance Bureau steamers. After that Huse's activities in Europe were confined to Ordnance Bureau and Medical Department affairs only.13 Although this agreement was brought about by unhappy circumstances, it did provide shipping for all the Army departments. The Ordnance Bureau steamers served well until November 1863. The Collie-Crenshaw line's first steamer began running in April 1863. By December, they had lost two steamers but three were still going strong. Three-quarters of all the cotton that the contract steamers brought to England was
on government account.\textsuperscript{14}

All the cotton that the Confederacy shipped in 1863 went first to one of the island depots. Almost all the Ordnance Bureau cotton was carried to Bermuda. Most of the cotton privately shipped probably went to Nassau, and the Navy's steamer Coquette also called at Nassau. Louis Heyliger had been handling the Confederacy's affairs at Nassau since he went there in November 1861 at the request of Charles J. Helm, the commercial agent at Havana. John Tory Bourne, a British subject in Bermuda, handled things there until Major Norman S. Walker arrived early in 1863. Heyliger and Walker's positions were clarified in March 1863 when both were made depositaries of the Confederate States of America.\textsuperscript{15}

The island agents arranged for the cotton to be transferred to ships that were going to Liverpool. Most of the cotton was shipped to Fraser, Trenholm and Co. The cotton that was under special contracts, however, was shipped to the contractor's representative. The most important of these contract shipments were the bales shipped to Alexander Collie and Co. under the Collie-Crenshaw contract, the cargoes shipped to John K. Gilliat and Co. under the 1864 contract for six blockade runners, and the cotton shipped to Charles
H. Reid and Co. under a contract with Colonel C. E. Thorburn. 16

The agents in the island paid the freight on the cotton shipped on private steamers from the Confederacy, and all the charges on all the government cotton going to Liverpool. They paid with drafts on Fraser, Trenholm and Co., and these drafts became first liens on the cotton. Sometimes the agents wrote drafts on the cotton for supplies bought on special orders from the Confederacy in the islands. For a while these drafts mounted so high that they threatened to use up all the proceeds of the cotton before it ever reached England. In June 1863 Gorgas ordered that no more drafts be written on the cotton, but he modified this almost immediately to allow for drafts to cover the shipping costs, and other drafts that were absolutely necessary. 17

When the cotton reached Liverpool, it was most often accepted by Fraser, Trenholm and Co. who held it to the credit of the bureau it was sent for, until they saw a good time to sell it. At various times they estimated that the cotton would bring from £30 to £40 per bale. 18

Since so many different bureaus were shipping cotton there was a problem in coordinating the use of the proceeds.
The Confederate officials in Richmond recognized the difficulty and held a high-level meeting on September 15, 1863. Secretary of State Judah P. Benjamin, Secretary of the Treasury Christopher G. Memminger, Secretary of War John A. Seddon, and Secretary of the Navy Stephen R. Mallory agreed that all European affairs should be under one man's authority, and Colin J. McRae, who was already in Europe as the Erlanger loan agent, was selected. He was to control all Treasury bonds and cotton bonds and to direct all contracts in Europe. In addition, he was given the power to transfer funds from one bureau to another when it was necessary. The cotton proceeds were received irregularly, but they were put into the account of the specified bureau whether it needed them or not, and no fund transfers were possible before McRae was given this authority. This consolidation was completed July 1, 1864, when shipments on the account of individual bureaus were stopped and all government cotton was shipped on Treasury Department accounts. 19

Most of the government's efforts in 1863 went toward purchasing steamers, but in August they started in a new direction. To expand the exports, Seddon told Colonel Thomas L. Bayne, who supervised the operation of the Ordnance Bureau steamers, to reserve at least half the cargo
space of every outgoing vessel for the government. In November, Seddon reported to President Jefferson Davis that he and Mallory had arranged for one third to one half of the cargo space on all outgoing ships to be for the government's use. To do it they had appealed to the patriotism of the shippers and this, plus the practical fact that government cotton could get preferential treatment on the railroads to the coast, had made the arrangement successful.

On February 6, 1864, Congress passed its most far-reaching blockade-running legislation. The Act to Impose Regulations Upon the Foreign Commerce of the Confederate States To Provide for the Public Defense required that every ship leaving the Confederacy give half its cargo space to the government, and that half of the proceeds of the other half of the cargo must be reinvested in Army supplies or be turned over to the Confederate government. The only exceptions were ships carrying out cotton owed in payment for Erlanger bonds or other bonds sold in Europe, and ships actually owned entirely by a state. One half of the inward cargo of every ship also had to be for the government and, by a separate act, the importation of many non-essential items such as laces and whisky was prohibited. Most of this legislation was suggested by a detailed plan for the
reorganization of foreign commerce that McRae sent to Richmond on October 7, 1863.

There was considerable opposition to these laws, especially from the states which wanted to send out cotton for their own profit, and from private blockade runners with government contracts who thought their contracts should exempt them from the regulations. In April 1864 the government decided that ships which brought in cargoes that were entirely for the government and were paid for with full cargoes of cotton would be allowed to take all the cotton out without giving outward space to the government. But the regulations held in all other cases. If a state chartered a quarter of a ship, the Confederate government would still take half. In the instances when the government did not have enough cotton to fill up its half of a ship, the owner of the ship had to find and buy the rest of the cotton to make up the government's half and sell it to the government. The legislation stayed in force until the Confederate ports were captured, and it made exporting large quantities of cotton on government account possible. 20

Once cotton exports for the government had been firmly established as important, more efforts were made to keep them going. In March 1864, Mallory told Bulloch to buy or
build six blockade-running steamers of light draft and large enough to carry 1500 to 2000 bales of cotton. Bulloch did not have the money, but he talked to McRae and arranged to get two of the fourteen steamers that McRae contracted for in May and July. These fourteen steamers were bought or built under contracts with John K. Gilliat and Co. and Charles K. Prioleau of Fraser, Trenholm and Co. All these vessels were especially built for blockade running and had shallow drafts and powerful engines. The smallest could carry only 365 bales of cotton with a five foot draft, but the largest could carry 1829 bales while drawing ten feet of water. Four were to sail in the early fall of 1864, and the others were to be delivered at intervals—the last by April 1, 1865. All the steamers were to be owned by the Treasury Department, managed by the Navy Department, and registered as British vessels. 21

In all, six of these steamers sailed from England to run the blockade for the Confederacy. The Owl and the Bat left Liverpool by mid-September 1864. The Stag and the Deer probably steamed out in November. The Lark and the Wren sailed in December or early January 1865. The other eight ships, Plover, Curlew, Rosine, Ruby, Albatross, and three unnamed, were not completed before the war ended.
The Bat was captured in her first attempt to get into Wilmington. The Owl, however, probably made three trips from Wilmington and at least one trip from Galveston to Havana with cotton, carrying about 720 bales each time. The Lark made three round trips and the Wren made two between Galveston and Havana with 365 bales of cotton apiece on each trip. The Stag brought one cargo of 713 bales to Bermuda on December 31, 1864. But not one bale of this cotton reached Liverpool in time to be sold before the war ended. Even though Fraser, Trenholm and Co. allowed agents to draw funds against the cotton as soon as it had reached a neutral port, the greatest Confederate effort to export cotton on a large scale had come just too late.

The part of the Confederacy that lay west of the Mississippi River, called the Trans-Mississippi Department, had special problems of its own. In the first two years of the war, the government in Richmond had nominal control over the cotton operations in this area. But the western operations differed substantially from those in the East, largely because of the difference in the terrain and because it was close to Mexico. After Vicksburg was captured in July 1863 the Confederates in this region usually functioned independently of the Confederates in Richmond.
New Orleans, the Department's major cotton port, fell in April 1862, before government cotton exports got under way. Rather than try to run the blockade from one of the many small ports along the Gulf Coast, the Trans-Mississippi Department officials worked on getting the cotton across the Rio Grande. Once it was in Mexico, the cotton could be used to buy needed supplies there or it could be exported on neutral ships from a neutral Mexican port without worrying about the blockade.

Apparently, most of the cotton that the Confederate government purchased in western Louisiana was left on the plantations to serve as security for the government's various financial operations. Much of the cotton that was purchased in Texas, however, was carried in wagon trains to some central point, usually San Antonio or Goliad, and from there to Brownsville, Laredo, or Eagle Pass. Brownsville lies at the mouth of the Rio Grande, directly across the river from Matamoros, the major port in northern Mexico. The Confederates did most of their selling and exporting in Matamoros, and cotton which crossed further up the Rio Grande was usually brought by wagon to Matamoros, often via Monterrey.
The cotton operations in Texas had to contend with two outside forces: the Union Army and the Mexican government. Union troops captured Galveston and held it from October 5, 1863, until they lost it again on January 1, 1864. They captured Brownsville and interfered with cotton movements in the Rio Grande valley between November 1863 and July 1864. The central government of Mexico at Mexico City, under Benito Juárez, was friendly to the United States. Santiago Vidalurri, the governor of the states of Nuevo Leon and Coahuila, also often exercised control over the state of Tamaulipas where Matamoras is located. He had visions of an independent nation made up of the northern Mexican provinces, and he was friendly to the Confederacy. Juárez had come to power recently by overthrowing the conservative government, but he was not yet strong enough to control Vidalurri and events in the north.

This already confused situation was complicated still further by France's efforts in 1863 to put Maximilian on the Mexican throne. For months French warships blockaded Matamoras, preventing arms from being landed for the Confederates to make sure that they would not reach Juárez's revolutionaries. But after Maximilian was safely on the throne, Juárez fled to the north bringing his anti-Confederate
views with him. The Confederate agents did manage to continue the cotton trade during these upheavals. But the agents were often harassed by unfriendly officials who imposed higher duties on the cotton, and the French blockading squadron was a nuisance. The cotton exports to Mexico fell off appreciably. 24

Some cotton was exported through Brownsville, probably privately, in the summer of 1861. Colonel John S. Ford of the Texas state forces tried to open a trade with Europe through Matamoros, but this was during the informal embargo on cotton shipments that the Confederacy hoped would force Europe to intervene, and the planters would not send the cotton to the ports. When the planters learned that there really was no government ban against exporting cotton, they began to move it toward the border. Then there was a revolution in the state of Tamaulipas, and the commander at Brownsville issued orders to stop the wagon trains so the cotton would not pile up at Brownsville. In March 1862, Colonel Ford tried again to get trade started, thinking it would soon be going strong. It was during this time that Secretary of War Benjamin sent George H. Giddings to Matamoros as a War Department agent to buy supplies and pay for them in cotton. 25
But the government did not begin a policy of buying and exporting large quantities of cotton until the fall of 1862. On September 17 Memminger appointed Andrew W. McKee as a Treasury Department agent to purchase cotton in Texas and Louisiana. On November 28, Memminger limited McKee's influence to western Louisiana, since the War Department had appointed Judge Simeon B. Hart to buy cotton in Texas. The Quartermaster at Brownsville, Major Charles Russell purchased cotton throughout the war and used it to buy provisions and other supplies for his armies on the Rio Grande. It seems evident that other Army officers in Texas also bought cotton from time to time to get supplies they needed. 26

During 1862, the government in Richmond and individual officers in Texas made several European contracts for supplies to be delivered to Matamoros and paid for in cotton. In May and June 1863, several ships with goods ordered under these contracts arrived off Matamoros, but there was very little cotton available to pay for them. The regular trade between Texas and Mexico, combined with the high prices that cotton was bringing in Europe, had forced cotton prices in Texas to levels higher than those the Army agents were authorized to pay. When the Army was sometimes able to buy
cotton, the cost of transporting it was equally prohibitive. 27

To correct this situation, the Commander of the Confederate forces in Texas gave his officers the authority to impress cotton. This meant that an officer could force a planter who was unwilling to sell cotton at the authorized price to do so anyway. At about this same time, restrictions were imposed to prevent private individuals from exporting cotton without a permit. Impressment was extremely unpopular with a politically important group of people: the planters. To reduce the political repercussions, the officers tried to impress cotton only in areas remote from San Antonio and Austin, such as the Rio Grande valley, and to impress speculators' and foreigners' cotton first. The discrimination against foreigners stopped in August, but cotton impressment continued. So many people were upset by these arrangements that Lieutenant General Edmund Kirby Smith, Commander of the Trans-Mississippi Department, called a meeting of all the state governors in August 1863 and the Trans-Mississippi Department Cotton Bureau was formed. The governors admitted that the Army needed the cotton and if the planters would not sell it the cotton would have to be impressed. But the governors hoped that the Cotton Bureau,
made up of men of prestige in the commercial community in Texas, would be able to buy the cotton without impressing it.

There was some difficulty in finding the right men to serve in the new bureau, but by mid-November Lieutenant Colonel W. A. Broadwell had taken charge of the Trans-Mississippi Department Cotton Bureau, and Lieutenant Colonel William J. Hutchins was the head of the Texas Cotton Office with headquarters in Houston. By appeals to the planters' patriotism and offers of permits to export the same number of bales of cotton as the planters sold to the government, the Texas Cotton Office slowly accumulated a reservoir of unimpressed cotton for the Army. 28

At this point two things happened which seriously affected the Cotton Bureau. One stopped all trade across the Rio Grande for more than a month. The other prevented the Cotton Bureau from providing the cotton that the Army needed, and eventually caused the bureau to be dissolved as useless.

In the great rush in the fall of 1863 to get cotton to pay for the goods being delivered under the contracts, the Army paid many recent debts while several long-standing commitments went unpaid. One of these overdue contracts was held by Attribl and Lacoste of Matamoras, who sold out to
Milmo and Co. of Monterrey in late 1863. Patricio Milmo, who had married Vidaurri's daughter, took possession of a parcel of Confederate cotton at Matamoras without waiting to be paid with it. Milmo and Co. also refused to surrender $15 million in Confederate currency that had been delivered to the company for safe passage from Matamoras to the Confederate forces in Texas. Edmund Kirby Smith responded vigorously to the seizure of the cotton and the money. He prohibited the export of all cotton across the Rio Grande as well as any Mexican property in the Trans-Mississippi Department. Since Vidaurri's army was almost entirely dependent for funds on the customs duties on cotton, Kirby Smith hoped this would force Milmo to release the funds. Kirby Smith also sent a peace commission to Vidaurri at Monterrey. The difficulty was settled quickly when Milmo returned the $15 million and the Confederacy guaranteed that the rest of the cotton owed to Milmo would be delivered as soon as possible. But cotton exports had been stopped completely from January 12 to late February 1864. 29

The first hint of trouble between the state of Texas and the Cotton Bureau came late in 1863. On December 22 Governor Pendleton Murrah wrote to Hutchins at the Texas Cotton Office and said that Army officers must not interfere
with a new state plan Murrah had developed for exporting cotton. The state was buying cotton to pay for machinery that the state needed to manufacture goods. As an incentive to planters to sell their cotton to the state, Murrah would allow the planter to buy half the cotton back from the state after it had crossed the Rio Grande. This arrangement had the same effect as the Texas Cotton Office's offer: the state was permitting the planters to export the same number of bales as they sold to the state.

In addition to this permission, the state offered higher prices for the cotton than the Army's regulations allowed, and paid for its purchases in cash or state bonds while the Cotton Bureau was reduced to using certificates of indebtedness. Moreover, some of the state's purchasing agents told the planters that the Army agency was an illegal organization that could never pay for the cotton it bought. The result was that the planters sold the state most of the cotton that had been promised to the Army, which had been relying on good will instead of making the planters sign a contract. In addition the Cotton Bureau was unable to buy other cotton because the planters preferred to hold their cotton for sale to the state at the higher prices. This competition from the state effectively stopped the Army's purchases of
cotton throughout most of 1864.

It is conceivable that Murrah was sincerely trying to help the war effort, even though he insisted on doing it his own way. Many people in the Cotton Bureau accused him of collusion with the planters, since they could get their cotton out of Texas only with his aid. But whether or not this accusation is true, it is certain that once Murrah's plan started the Army bureau was a threat to it and he did everything he could to harm the bureau. Twice compromises were worked out between the Army and the state, but each time Murrah or his agents undermined them. In May 1864 the legislature at Austin passed a law restricting the activities of the Cotton Bureau, and Hutchins and his agents were told they would go to jail if they continued to perform their duties. 30

Edmund Kirby Smith countered by issuing Army General Orders 34 and 35. The first ordered that half of all the cotton in the Trans-Mississippi Department be put, by impressment if necessary, at the Army's disposal. The second ordered that no cotton be exported except the cotton used as payment for machinery or supplies that had already been received, or cotton that had an export permit because a matching number of bales had been sold to the Army. Murrah pro-
tested that these actions were illegal, but Kirby Smith re-
torted that the new regulations of overland commerce made
under the Act of February 6, 1864, had not arrived and that
he had issued his orders in lieu of them. When the regula-
tions did arrive in late July, Kirby Smith decided that they
were not adequate, and he sent back a request that Richmond
modify them to cover the needs of the Army in Texas. Mean-
while, he continued his General Orders 34 and 35.31

Both Murrah and Kirby Smith were strong-willed men.
Murrah's contention that Kirby Smith's prohibition of ex-
ports and his impressment of cotton were illegal may have
been correct. But the needs of the Army in Texas demanded
both actions. The state could have acquired the cotton it
needed and the Army could have too, if they had worked to-
gether. Kirby Smith repeatedly tried to compromise, and he
even offered to buy cotton for the state, but Murrah would
not cooperate at all. It is probable that politics would
not let Murrah agree to Kirby Smith's prohibition of cotton
exports. But his opposition to the Cotton Bureau cost the
Confederate Army in Texas dearly.

These squabbles in Texas were heard in Richmond, and
in August 1864 government cotton operations in the Trans-
Mississippi Department were taken away from the Army and
turned over to the Treasury Department. The order reached Kirby Smith early in October and he gladly washed his hands of the whole business. Judge Peter W. Gray was the new Treasury Department representative in the Trans-Mississippi Department, and the responsibility fell on him. Gray was hesitant to take it, and he found that few people were willing to help him. But by November 19, 1864, he had selected Captain William C. Black, who had been an assistant to the Cotton Bureau at Shreveport, Louisiana, to head a new agency. It was called the Foreign Supply Office and worked on getting the cotton out through the blockade at Galveston to Havana instead of moving it overland to Brownsville. Gray refused to impress cotton, but the office was still able to export a considerable amount before the war ended. Apparently it worked out an efficient system for transporting the government-owned cotton from western Louisiana to Galveston. The cotton was shipped as full cargoes on government steamers and as half cargoes of private steamers, using the same system that had worked in the East. Most of the cotton went to Havana to be forwarded to Liverpool to be sold, but some of it was shipped from Galveston to Matamorcas for sale there. 32
The officials of the Trans-Mississippi Department made one other effort to ship cotton. In August 1863 Broadwell appointed John A. Stevenson as a confidential agent for the Confederacy. Stevenson was given permission to go behind enemy lines on the Ouachita River to move out the government cotton in that area, since it was likely to be captured. Stevenson planned to do it by claiming that the cotton was his own and pretending to participate in the illicit trade with the enemy, as many Confederate citizens were doing every day. By January 1864 Stevenson had arranged for the Louisiana State Bank in New Orleans to aid him in shipping 18,928 bales of cotton to George Arnold Holt and Co. of Liverpool for sale there. No records have been found to indicate whether or not this cotton was ever shipped, and the correspondence of the Confederate agents never mention this transaction. It seems unlikely that any of the cotton ever reached Liverpool.33

But the successful shipments of cotton from the Confederacy to Europe did provide a large amount of funds for the Confederate agents' use, and it is possible to find out approximately how much money the shipments yielded. These calculations do not include the large number of bales which were used in the Confederacy to pay foreign firms
when they delivered goods to the Confederacy.

All the cotton shipped to Europe on government-owned steamers or on private vessels not having special contracts with the government was delivered to Fraser, Trenholm and Co. for sale. The rest was shipped directly to the contractors--Alexander Collie and Co., C. H. Reid and Co., or John K. Gilliat and Co. All of these firms often waited months for the best price before selling the cotton, so that much of the cotton shipped near the end of the war had not been sold when the war ended. But the funds that could have been raised by the sale of this cotton were available to the Confederates anyway since they could write drafts against it as soon as it reached a neutral port. Some of the cotton that was shipped to Matamoras and Havana was used there to pay for goods that the Trans-Mississippi Department needed; the rest was shipped to Fraser, Trenholm and Co.

Fraser, Trenholm and Co. kept detailed books of their transactions with the Confederates, and these are complete from December 1863 until long after the war had ended. For each cotton transaction the firm recorded the number of bales, the date of the sale, the ships that had transported it, and the net proceeds of the sale, although in a few cases the number of bales of cotton was not stated. Most Confederate
departments and bureaus had individual accounts with Fraser, Trenholm and Co. The accounts also show small amounts yielded by selling tobacco, turpentine, and other products also exported for the government. Since the Ordnance Bureau began exporting cotton regularly in January 1863 and these accounts do not begin until December, there is a question as to whether they include the early shipments. As it happens, the Ordnance Bureau's balance sheet is the only one to show a balance brought forward from another account, and with the balance is a list of previous shipments. Since it is unlikely that large amounts of cotton were shipped on private vessels before the government secured one-third to one-half of all outgoing cargoes in August 1863, and since cotton shipped after August 1863 generally would not have been sold before December 1863 when the accounts begin, there probably were no large shipments to Fraser, Trenholm and Co. for the government that do not appear in their accounts. The following table shows the total of Fraser, Trenholm and Co.'s sales for the Confederacy.
TABLE I—PROCEEDS OF COTTON, ETC. SOLD BY
FRASER, TRENHOLM AND CO.

<table>
<thead>
<tr>
<th>Account</th>
<th>Number of Bales</th>
<th>Net Proceeds</th>
<th>Average Proceeds per Bale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Department</td>
<td>202</td>
<td>£3,093.9.4</td>
<td>£15.6.8</td>
</tr>
<tr>
<td>Treasury Department #3</td>
<td>13,795 1/2</td>
<td>281,913.6.3</td>
<td>20.8.0</td>
</tr>
<tr>
<td>Ordnance Bureau</td>
<td>6,568 1/2</td>
<td>222,607.16.1</td>
<td>33.18.0</td>
</tr>
<tr>
<td>Quartermaster Dept.</td>
<td>2,768</td>
<td>93,015.8.8</td>
<td>33.12.0</td>
</tr>
<tr>
<td>Navy Department</td>
<td>6,610 1/2</td>
<td>251,602.12.3</td>
<td>38.2.0</td>
</tr>
<tr>
<td>Nitre and Mining Bureau</td>
<td>1,409 1/2</td>
<td>51,756.10.0</td>
<td>36.14.0</td>
</tr>
<tr>
<td>Commissary Dept.</td>
<td>2,680</td>
<td>60,964.12.9</td>
<td>22.16.0</td>
</tr>
<tr>
<td>Navy Department Provisions &amp; Clothing</td>
<td>1,651</td>
<td>63,091.6.6</td>
<td>38.4.0</td>
</tr>
<tr>
<td>Trans-Mississippi Department</td>
<td>2,518</td>
<td>20,979.19.11</td>
<td>8.6.4</td>
</tr>
<tr>
<td>Medical Department</td>
<td>590</td>
<td>18,830.10.9</td>
<td>31.18.0</td>
</tr>
<tr>
<td>Engineers</td>
<td>208</td>
<td>6,719.15.10</td>
<td>32.6.0</td>
</tr>
<tr>
<td>Colonel Lamb</td>
<td>90</td>
<td>3,562.9.8</td>
<td>39.12.0</td>
</tr>
<tr>
<td>Heyliger</td>
<td>22</td>
<td>487.16.11</td>
<td>22.4.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,113</strong></td>
<td><strong>£1,078,625.14.11</strong></td>
<td><strong>£27.12.0</strong></td>
</tr>
</tbody>
</table>

Cotton shipments (number of bales unknown)
- Tobacco, turpentine, etc. 51,398.7.7
- £1,142,679.18.0

Grand Total

One shipment that Fraser, Trenholm and Co. did handle and which does not appear is the Economist's cargo of 827 bales of cotton that arrived in the spring of 1862. In addition, none of the accounting records have been found for the ship contractors that also sold cotton for the
Confederacy. But in the Confederate government's records and in the shipping records at Nassau and Bermuda there are scattered notations of cotton cargoes carried out by the steamers that the contractors built. These records show that the Collie and Co. and the Reid and Co. steamers carried out 5,584 bales of cotton for the government during the months between August 1863 and March 1864 and during July 1864. These are the only times covered by the records, but they roughly cover the period in which the steamers were most active. The only record of cotton carried out by the Gilliat and Co. steamers is the 713 bales of cotton which the Stag took out in December 1864.  

The amount of cotton that was sold in Matamoros and Havana was much less than the cotton sold in Europe. The records indicate that at least 2,588 bales of cotton crossed the Rio Grande and reached William M. Perkins, the special agent of the War Department in Matamoros. Even though most of the cotton grown in the Trans-Mississippi department was used in the Confederacy to pay for contracts and despite the difficulties the government had with buying cotton in Texas, this figure still seems much too low. In addition to this cotton which crossed the Rio Grande, the Foreign Supply Office's records show that 1,025 bales of cotton
were shipped via Galveston to be used for purchasing in Havana and Matamoras.36 All this cotton is separate from the cotton that was shipped to Fraser, Trenholm and Co. for sale in England on account of the Trans-Mississippi Department, which appears in Table I.

It is possible to calculate with some accuracy the amount of funds that was raised by sales of cotton abroad. When the proceeds of the sale of a particular parcel of cotton is not known, it is found by multiplying the number of bales by the average price per bale that Fraser, Trenholm and Co. received. Of the cotton which was shipped to Europe the only cotton that does not appear in Table II is that which was shipped on private steamers before about July 1863. Since the government made no effort to ship cotton regularly on private steamers until August, probably only relatively small amounts went out earlier. The figure for cotton used in Havana and Matamoras is less accurate because the available records very likely do not include other large amounts of government cotton that crossed the Rio Grande and these proceeds must be considered as a minimum. Table II gives a total for all the funds raised abroad by exporting goods.
<table>
<thead>
<tr>
<th>Cotton Lots</th>
<th>Number of Bales</th>
<th>Total Bales</th>
<th>Net Proceeds</th>
<th>Total Net Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Used in Europe:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economist</strong></td>
<td>827</td>
<td>£13,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fraser, Trenholm and Co.</td>
<td>39,113</td>
<td>1,078,625.14.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fraser, Trenholm and Co. (unknown number of bales plus miscellaneous)</td>
<td>?</td>
<td>64,054.3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collie and Co. and Reid and Co. steamers</td>
<td>5,584</td>
<td>154,118.8.0*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gilliat and Co. steamers</td>
<td>713</td>
<td>19,678.16.0*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>46,237</td>
<td>£1,329,977.2.0</td>
<td></td>
</tr>
<tr>
<td><strong>Used in Havana and Matamoras:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Via Rio Grande</td>
<td>2,588</td>
<td>£71,428.16.0*</td>
<td></td>
<td>99,718.16.0</td>
</tr>
<tr>
<td>Via Galveston</td>
<td>1,025</td>
<td>28,290.0.0*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>3,613</td>
<td>99,718.16.0</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td>49,850</td>
<td>£1,429,695.18.0</td>
<td>38</td>
</tr>
</tbody>
</table>

* Estimated
The total number of bales that these records show as having been received in Europe is 46,237. The unspecified number of bales in the Fraser, Trenholm and Co. accounts can be estimated as 1862, giving a grand total of 48,099 bales reaching Europe. To check on this figure to see if it includes all the bales of cotton that were shipped, it can be compared to a total found from the Confederate government's records of cotton shipments. The sources for this total are for the most part independent of those used to obtain the grand total given above.

**TABLE III--GOVERNMENT RECORDS OF COTTON SHIPMENTS**

<table>
<thead>
<tr>
<th>Source</th>
<th>Number of bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bayne Report, August 1863-March 1864</td>
<td>13,358</td>
</tr>
<tr>
<td>Seddon Report, March 1, 1864-December 10, 1864</td>
<td>27,299</td>
</tr>
<tr>
<td>Report on January 1865 shipments to Nassau</td>
<td>1,012</td>
</tr>
<tr>
<td><em>Economist</em></td>
<td>827</td>
</tr>
<tr>
<td>Ordnance Bureau steamers before July 1, 1863</td>
<td>6,713</td>
</tr>
<tr>
<td>Trans-Mississippi Department shipments from Galveston to Liverpool</td>
<td>5,560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,769</strong></td>
</tr>
</tbody>
</table>

This figure is obviously larger than the total number of bales of cotton that was used to calculate the proceeds, but the difference can almost certainly be accounted for by the skill of the Union blockading ships. In fact, if both
of these totals are correct, the Confederacy lost only about twelve per cent of the cotton it shipped. The £1,429,695.18.0 figure is therefore a dependable estimate of the amount of funds the Confederacy raised in Europe by cotton sales.

Despite its late start, the Confederate government managed to get enough cotton to England to raise a significant amount of funds there. The Ordnance Bureau steamers and the steamers built under contracts--so active in 1863--were important mainly for demonstrating the possibilities of this trade. The large blockade-running fleet projected in 1864 never really got into operation, but if it had it would have vastly increased government exports. From the point of view of the number of bales of cotton transported, the most successful method of getting cotton to Europe was by requiring private blockade runners to carry out half cargoes of cotton for the government. This policy--loudly opposed by the states and private blockade-running firms--was responsible for getting out more than half of the cotton that the government sent to Europe.
FOOTNOTES

1 Christopher G. Memminger to George W. Adams, September 30, 1861; Memminger to Benjamin Colcock, April 14, 1862; in Telegrams Sent by the Secretary of the Treasury, Record Group 365, Entry 3, National Archives, Washington, D. C. (hereinafter referred to as RG 365, E 3). Judah P. Benjamin to Memminger, December 2, 1861; C. G. Baylor to Bellot des Minieres Brothers and Co., May 15, 1862; in Confederate States of America Archives, Division of Manuscripts, Library of Congress, Washington, D. C. (hereinafter referred to as C. S. A. Archives). [Secretary of the Executive Council of the State of South Carolina, Proclamation], April 21, 1862, in Miscellaneous Office Records of the Office of the Treasurer, Record Group 365, Entry 25, National Archives.

2 John Fraser and Co. to Memminger, March 21 and April 3, 4, and 11, 1862; John Fraser and Co. to [C. L. Trenholm], December 17, 1861; in Letters Received by the Secretary of the Treasury, Record Group 365, Entry 8, National Archives (hereinafter referred to as RG 365, E 8). John Fraser and Co. to Memminger, April 4, 1862 is also in E. D. Townsend and Raphael P. Thian, comps., Correspondence with the Treasury Department of the Confederate States of America, 1861-65 (Washington, 1880), V, 506. Memminger to John Fraser and Co., February 7 and March 17, 1862, in RG 365, E 3. Thomas H. Dudley to William H. Seward, May 14, 1862, in DU 4573, Thomas Haines Dudley Collection, Henry E. Huntington Library and Art Gallery, San Marino, California (hereinafter referred to as Dudley Collection). James D. Bulloch to Stephen R. Mallory, December 5, 1861, in Official Records of the Union and Confederate Navies in the War of the Rebellion, series 2, volume II, page 115 (hereinafter referred to as ORN, 2, II, 115).

3 Memminger to John Fraser and Co., March 22, 1862; John Fraser and Co. to Memminger, March 29 and April 4, 1862; in Townsend and Thian, Correspondence with the Treasury Department, V, 499-500, 506. John Fraser and Co. to Memminger, March 29 and April 4, 1862 are also in RG 365, E 8. John Fraser and Co. to Memminger, April 5, 1862,

4 John Fraser and Co. to Memminger, August 27, 1862, in RG 365, E 8 (also in Townsend and Thian, Correspondence with the Treasury Department, V, 608–9). Mallory to Bulloch, September 20, 1862, in ORN, 2, II, 269–71.


referred to as Mason Papers).


10 Edwin De Leon to Benjamin, January 28, 1863; John Slidell to Benjamin, October 9, 1863; in C. S. A. Archives. McRae to Mamming, October 7, 1863, in RG 365, E 320.

11 Crenshaw to Mason, April 15, 1863; Collie to Crenshaw, June 11, 1863; [Mason] to [Slidell], June 21 and July 8, 1863; in Mason Papers. Huse to Crenshaw, April 14, 1863, in OR, 4, II, 537-9.


14 Contract between Collie, Crenshaw and Mason, March 20, 1863; Collie to [Mason?], December 10, 1863; in Mason Papers. Abraham C. Myers to Seddon, July 29, 1863, in RG 365, E 8 (also in Letters Sent by the Quartermaster Department to the Secretary of War, Record Group 109, chapter v, volume 157, National Archives [hereinafter referred to as RG 109, ch. v, vol. 157]).

1863, in C. S. A. Archives.


18. Memminger to Fraser, Trenholm and Co., May 29, 1863, in DU 2866 and DU 4576, Dudley Collection. Gorgas to Memminger, June 26, 1863[3], in DU 4573 and DU 4576, in Dudley Collection. Fraser, Trenholm and Co. to Huse, August 6, 1863, in DU 4576, Dudley Collection. Statement of Funds and Cotton on Hand with Fraser, Trenholm and Co. on October 19 [1863]; Fraser, Trenholm and Co. to Trenholm, October 1, 1864; in RG 365, E 320.


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35 It is unlikely that much more than this was carried out on contract steamers. The Bermuda and Nassau records indicate that the Crenshaw-Collie steamers carried out less than 4000 bales of cotton for the government throughout their operation. Customs House, Entered Inwards, in Bermuda Archives. John Fraser and Co. to Memminger, March 21 and April 4 and 11, 1862, in RG 365, E 8. Bayne to Seddon, March 22, 1864; Trenholm to Seddon, August 12, 1864; in OR, 4, III, 240-2, 588.

36 Wells to William H. Perkins, July 9, 22, 25 and 31, 1864, in Letters Sent by the Houston Cotton Bureau, Record Group 365, Entry 296, National Archives. R. West, statement; Edward S. Tilgham to ______, January 10, 1865; in Francis J. Lynch Letterbook, Thadeus J. Brownson Collection, Archives Division, Texas Library and Archives Building. Lynch to Perkins, February 16, 1865, in J. J. Lynch Papers, Barker History Center, University of Texas. Black to Perkins, February 17, 1865; Black to Sampson, April 13, 1865; in Foreign Supply Office Letterbooks.

37 John Fraser and Co. estimated in April 1862 that the net proceeds in England of the cotton sent per Economist would be £13,500. John Fraser and Co. to Memminger, April 8, 1862, in RG 365, E 8. See also footnote 2.

38 Possibly two additional amounts should be added to this total. Louis Heyliger sent bills of exchange totaling
£4945.4.9 to Fraser, Trenholm and Co. which were probably the proceeds of cotton sold in Nassau. He also sent £6614.2.2 to Fraser, Trenholm and Co.; this amount was paid to him by owners of blockade runners as half the proceeds of their halves of cotton cargoes which they did not intend to invest in war materiel to return to the Confederacy. When these sums are added, the grand total becomes £1,441,255.4.11. Treasury Department in account with Fraser, Trenholm and Co., in DU 4577, Dudley Collection.

39 The information on the early shipments by Ordnance Bureau steamers is not derived from government sources. It is, however, derived from sources independent of those used for the same shipments in Table II. Customs House, Entered Inwards, in Bermuda Archives. Nassau Guardian, passim. Bahamas Herald, passim.

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CHAPTER 6

CONCLUSIONS

The Confederacy's policy on getting funds to Europe to purchase goods there developed slowly and haphazardly. The problem of sending funds to Europe on ships was made harder, of course, by the Union blockade. For a long time the Confederate officials ignored the fact that the blockade would make payments progressively more difficult, as Confederate wealth already in Europe, represented by bills of exchange in the Confederacy, ran out and could not be replenished.

In April 1861 the Confederacy began using letters of credit and bills of exchange to transfer funds to Europe. In November 1861, Secretary of the Treasury Memminger first tried to have cotton shipped out of the Confederacy, but he did not succeed until April 1862. Memminger tried to make arrangements for other shipments of cotton in March 1862, but the difficulty of getting cargo space on the ships discouraged him. It was at this time that Secretary of War Benjamin first tried to raise money in Europe through a
bank in New Orleans using cotton stored in the Confederacy as security, but he was thwarted when New Orleans was captured. So the Confederacy relied almost entirely on bills of exchange until the fall of 1862.

The bills of exchange did meet Confederate needs in Europe during the first eighteen months of the war. There were occasional temporary shortages of funds in the earliest months, but the Confederates were always able to arrange short-term loans to tide them over until the bills of exchange arrived from the Confederacy. The agents began to contract large debts late in 1861. The creditors first asked for payment in January 1862, but they did not press their demands until the summer and fall. Confederate purchasing efforts in Europe were not seriously hampered until late in the fall of 1862. At that time expanding Confederate purchasing, the demands for payments of past debts, and a declining availability of bills of exchange in the Confederacy combined to produce an acute shortage of funds. The officials in Richmond were able to maintain the size of the shipments of bills of exchange to Europe until the spring of 1863, but the Confederate commitments had grown so large that the agents found themselves extremely short of funds in the winter of 1862-1863. They could make no
new purchases, and it even looked like work on ships and
supplies that had already been ordered might have to stop.

Confederate officials in Richmond were aware of the
demands of the Confederacy's European creditors and of the
expanding commitments. They were equally aware of the daily
increasing difficulties in obtaining bills of exchange. In
September and October 1862 they responded to the crisis by
sending large quantities of Confederate States cotton bonds
and eight per cent Treasury bonds to Europe for sale. The
cotton prices stated on the bonds was too high for the
British, and half of those issued never even reached
Europe because they were entrusted to the forgetful George
Sanders. The price of the Treasury bonds was also prohibi-
tive, and Memminger made a deplorable choice in giving them
for sale to as indecisive a man as James Spence. These
ttempts to raise money in Europe were failures, but it
took the officials in Richmond some time to become aware
of it.

Confederate agents in Europe also did what they could
to alleviate the crisis in the winter of 1862-1863. In the
fall the Confederates accepted a proposal from Emile Erlanger
and Co. of Paris to float a large cotton loan. Unfortunat-
ely this project contributed to the crisis, because the
agents withheld the few cotton bonds and Treasury bonds
that they might have sold at this time for fear that selling
them might undercut the imminent cotton bond issue. At this
time Caleb Huse bought the steamers that later demonstrated
that the government could ship cotton out in quantity.
But these steamers did not help the situation in Europe
until about mid-1863. At first, it was thought they would
be more important for carrying arms into the Confederacy
than for carrying cotton out. For the most part the efforts
to ease this crisis were unsuccessful until the Erlanger
loan was approved in February 1863 and Erlanger and Co. be-
gan extending credit to the Confederates.

In Richmond the Confederate officials continued to
look for ways to provide funds in Europe. They also con-
solidated the existing system by establishing a general
Treasury Department fund to allow distribution of the avail-
able proceeds according to each agency's needs. Secretary
of War Seddon, unaware of Huse's successes in buying block-
ade-running steamers, sent William G. Crenshaw to Europe
in December 1862 to establish a similar line of ships. In
January 1863 Memminger organized a system in the Confederacy
for buying cotton and sending it to the ports, and began
shipping it on Huse's steamers. At about the same time, he
begun shipping out gold on these steamers and also on privately-owned blockade runners. He and Benjamin also approved the Erlanger loan, but reluctantly and more for political than financial reasons.

The Erlanger loan was issued, not without difficulty, but it made a large sum available to the Confederates in the summer and fall of 1863. The Erlanger loan proceeds paid the large amounts owed since late 1861, Erlanger's recent advances, the overdue payments on contracts for ships being built, and the government portion of the Crenshaw-Collie steamers. It also allowed the agents to place several large new orders. The Confederacy's needs had continued to expand, however, and even this was not enough to allow them to order all the additional ships and supplies that they needed.

After the Erlanger loan was completed, the Confederates both at home and in Europe devoted their attention to making the system for exporting cotton more efficient. The officials in Richmond made several policy decisions in July and September 1863 on shipping the cotton and controlling and distributing the resulting funds in Europe. In the fall they persuaded private blockade runners leaving Atlantic ports to give the government from
one-third to one-half of the ships' cargo space. Colin J. McRae wrote from Europe in October recommending that the government take complete control over all cotton exports. Partially in response to his suggestions, the government required in February 1864 all outgoing vessels to give half their cargo space to the government and put half the proceeds of the other half of the cargo into government supplies. Finally, the government planned a fleet of blockade runners especially built for carrying large cargoes of cotton. Some of these steamers began operating in the fall of 1864.

By mid-1864 the flow of cotton to Europe was large enough to let McRae borrow over £400,000, using cotton to be shipped in the future as security. Confederate agents in Europe also obtained some of the funds they needed by selling ships that the English and French governments refused to let them take to sea. The credits, the ship sales, and the proceeds of cotton already received in Europe made the Confederacy almost solvent in late 1864. For the first time since early 1862, the agents were beginning to talk about expanding purchases instead of meeting old debts. But the actual proceeds of the cotton did not justify this optimism. It seems probable that the agents confused the
proceeds from the ship sales with the proceeds from the much-discussed cotton shipments. In time, if all the large blockade runners that were on order had entered the trade and if the Union forces had not captured the Confederate ports, the proceeds of the cotton shipments might have been able to finance all the Confederate imports. But that was not the case when the war ended in May 1865.

The Confederates never had enough funds in Europe after about the middle of 1862. The supply of bills of exchange had been adequate until then and they continued to be of use but Confederate commitments always expanded too rapidly. Several successful methods were developed that provided large amounts of money in Europe, in particular the Erlanger loan and the organized cotton exports, but these were not enough. It may be that there would never have been really adequate funds, since the orders for ships and goods would always have expanded more rapidly than the funds. But this is no excuse for the several occasions, specifically the winter of 1862-1863 and the fall, winter and spring of 1863-1864, when pressing needs of the Confederate Army, Navy, and transport system had to be deferred because the necessary funds were just not available.
The Union blockade caused the difficulties in transferring funds to Europe and stopped Confederate purchasing there during at least these periods. Many other times during the war projects were scaled down or rejected because of the continuing awareness of the purchasing agents that the amount of funds available was limited. Thus, the Union blockade prevented the importation of urgently needed war materials, not through its primary method of capturing the ships carrying the guns, but by preventing the funds to pay for the guns from reaching Europe.

On the other hand, the Confederates did succeed in purchasing and paying for a large quantity of ships and supplies in Europe. The Treasury, War, and Navy Department officials in the Confederacy and their agents abroad provided a full £7,332,019 for use in Europe.
TABLE 1--TOTAL FUNDS PROVIDED IN EUROPE
FOR CONFEDERATE USE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills of Exchange</td>
<td>£2,061,327</td>
</tr>
<tr>
<td>Cotton etc. Exports</td>
<td>1,429,696</td>
</tr>
<tr>
<td>The Erlanger Loan</td>
<td>1,413,682</td>
</tr>
<tr>
<td>Short-term Loans not Repaid</td>
<td>911,186</td>
</tr>
<tr>
<td>Ship Sales</td>
<td>879,210</td>
</tr>
<tr>
<td>Gold Shipments</td>
<td>422,401</td>
</tr>
<tr>
<td>Sales of Securities based on Cotton</td>
<td>120,000</td>
</tr>
<tr>
<td>Letters of Credit</td>
<td>51,000</td>
</tr>
<tr>
<td>Sales of 8% Treasury Bonds</td>
<td>4,747</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>£5,004</td>
</tr>
<tr>
<td>Insurance</td>
<td>34,276</td>
</tr>
<tr>
<td>Gratuities</td>
<td>250</td>
</tr>
<tr>
<td>Fees</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td><strong>39,770</strong></td>
</tr>
<tr>
<td></td>
<td><strong>£7,333,019</strong></td>
</tr>
</tbody>
</table>

These figures provide some interesting perspectives. Past historians have emphasized the cotton shipment policy and have considered the Erlanger loan to be a failure. Yet it appears that both cotton shipments and the loan provided nearly the same amount of funds. The major significance of the cotton shipment policy was its potential for the future, if the war had continued. Historians have also referred to large gold shipments which supposedly accompanied the transfers of funds by bills of exchange. Yet gold shipments were not as important as the short-term loans and ship sales, as well as the bills of exchange, the cotton shipments, and the Erlanger loan. In addition the relative
insignificance of sales, other than the Erlanger loan, of securities based on cotton is evident. Transfers by bills of exchange, the cotton shipments, and the Erlanger loan emerge as the most successful methods developed by the Confederacy for providing funds in Europe.

Individual men made it possible for these sums to be raised in Europe or transferred from the Confederacy to Europe. Some of the methods required more effort than others—shipping cotton, for instance, was more difficult than forwarding bills of exchange. Some of the methods fitted the Confederacy's needs well, while others were poorly adapted either to the needs of the Confederates or to the situation in Europe. In each case, the knowledge and experience of the agents involved and their judgment, as well as the outside forces, worked together to make a method a success or a failure.

Secretary of the Treasury Christopher G. Memminger was instrumental in providing funds in Europe from the beginning of the war until June 1864. His background in financial affairs was not great, and his comprehension of the problems in transferring funds from a blockaded nation to a foreign country apparently did not increase. Memminger took John Fraser and Co.'s advice that bills of exchange
were the best method of transferring funds, and thus he was responsible for beginning the single most successful method for providing funds in Europe. But he did not seem to be aware that the supply of bills of exchange was limited and would eventually be exhausted. When he finally realized that a substitute method was required, he did not act vigorously enough to make the new method a success. With the premium on bills of exchange rising and the difficulties in obtaining them increasing, Memminger did arrange for the shipment of the first bales of government cotton. Yet he did not continue this policy: he found that ships were hard to come by and he let it drop. When the agents in Europe were desperate for funds, he advised against accepting the Erlanger loan—because it was too expensive. The only really effective projects he himself arranged were the gold shipments, and he considered them for nearly thirteen months before any gold was actually shipped. Memminger never really applied himself to the problems of foreign finance, nor did he delegate the responsibility to anyone else.

The two people who achieved most of the successes in providing funds in Europe were there—first Caleb Huse and then Colin J. McRae. Huse's great ability was shown in the
first two years of the war when he continued sending a steady flow of supplies to the Confederacy after the fund shortage grew acute. His ability to arrange credit was unsurpassed. Even more important, perhaps, was his demonstration that a fleet of blockade runners owned and operated by the government could efficiently run supplies in and run the cotton to pay for them out. He did this while the Treasury Department in Richmond was complaining about fund shortages instead of finding ways to remedy the situation. These agents had the same opportunity as Huse to buy blockade-running steamers, but it was Huse who assumed the responsibilities and did so.

Unfortunately, both of Huse's efforts were marred by unpleasant endings. It was learned later that Saul Isaac, Campbell and Co., who had been his main source of credit while he was performing his miracles, had been craftily overcharging the Confederacy for the goods they delivered. And he allowed his concern for his line of steamers, plus his well-founded prejudice against private contractors, to lead him into attacking the Collie-Crenshaw steamer contract. But these errors stemmed from the same characteristics that had made him successful—his concern for results, his willingness to take responsibility and act decisively, and his
determination to stand on his judgments of people. Huse
definitely did more good than harm. Those goods bought on
credit from Saul Isaac, Campbell and Co. reached the
Confederacy when none others did. His successful use of
government-owned blockade runners prompted the similar
Treasury Department plan that became the Confederate policy
for the last two years of the war.

Colin J. McRae's abilities showed up at their best as
he organized and administered the European finances from
May 1863 until the end of the war. He directed the distribu-
tion of the Erlanger loan proceeds judiciously. His recom-
mendation that the government control cotton exports spurred
the government to its last successful financial effort, and
he energetically organized the resulting new blockade-running
fleet and got it afloat quickly so that the cotton could
reach Europe as soon as possible. His skill in arranging
short-term credit rivaled only Huse's. The cotton exports
which vastly increased through his efforts provided him with
the credit he needed in mid-1864 to keep Confederate pur-
chasing in Europe alive when the Confederacy itself was
nearing its dissolution.

McRae's one great mistake grew out of his work with the
Erlanger loan. During eight months of exhaustive bargaining
with Emile Erlanger over the technical points of the agree-
ment, McRae began to feel that the loan had been more
trouble than it was worth. Later he always advised against
additional loans, since he believed that the proceeds from
the cotton would supply Confederate needs. The cotton ex-
ports were never quite enough, and an additional loan—even
an expensive one—would have put the Confederacy into the
black. Repeatedly in 1864 McRae refused to sell Erlanger
bonds when there was a demand for them, because he hated
to let the cotton go at a price so much lower than cotton
was selling for in Liverpool. He was trying to keep the
Confederacy's credit good for after the war, but his policy
failed to make use of funds for the Confederacy that were
needed for the success of the war.

Two men who were not as deeply involved in the finan-
cial effort but were still influential were John Slidell
and James M. Mason. Slidell's major contribution was bring-
ing the Erlanger loan to the attention of the Confederate
officials in Richmond. There has been some question about
his motives, because his daughter married Emile Erlanger's
son. But there is no denying that the Erlanger loan aided
the Confederate cause in Europe immeasurably. Mason's in-
fluence was more general: he directed Confederate finances
in Europe from the spring of 1862 until McRae's arrival in May 1863. His main contribution was his caution and his effort to distribute the funds that were available for the maximum good of the Confederacy as a whole. He was mainly responsible for Treasury bonds and cotton bonds being withheld from the market while the Erlanger loan was pending. It was also he who recommended the ineffectual James Spence to be a financial agent.

In the Confederacy the most important people besides Memminger were Chief of the Ordnance Bureau Josiah Gorgas and Secretary of War Seddon. Both men grasped the importance of cotton shipments at an early date. Gorgas backed Huse's plan, and Seddon sent Crenshaw to Europe to start a line of blockade-running steamers. Gorgas knew Huse's outstanding record for getting first-quality supplies to the Confederacy and supported him whenever he needed it. Gorgas and Seddon were responsible for organizing an efficient system of buying cotton and moving it to the Eastern coast to get it ready for shipping. Colonel Thomas L. Bayne and J. M. Seixas, both efficient and active workers, were directly in charge of these efforts and performed their duties well.
Of the other officials at Richmond, Secretary of the Navy Stephen R. Mallory and Judah P. Benjamin--first as Secretary of War and then as Secretary of State--showed a good insight into the problem of transferring funds to Europe plus the ability to make use of this understanding. Mallory was the first to get a project of selling cotton bonds started in Europe. Benjamin was always interested in shipping cotton, and he also had the first ideas for a method of borrowing money in Europe with cotton for security. His reasons for supporting the Erlanger loan, however, were based on the loan's possible political benefits.

If there were villains in this effort, they were the negligence and lack of foresight in Richmond. New sources of funds should have been sought as soon as it became obvious that the supply of bills of exchange was failing. More concentrated effort should have gone into the cotton export policy early in 1862 when the informal cotton embargo was abandoned. Perceptive and sophisticated officials would have realized that large foreign loans had great potential in spite of their expense.

If there were heroes, they were the slightly tarnished Caleb Huse and Colin McRae. In spite of the slow-moving Richmond officials, these men energetically pursued the
possibilities that were available to them. Their successful use of short-term credit helped the Confederacy through several crises, and their advocacy of government involvement in the exportation of cotton launched a policy with good immediate results and a great long-term potential.

The Union blockade prevented sufficient funds from reaching Europe to buy as many war materials, ships and supplies as the Confederacy needed. The Confederates did develop three techniques for providing large amounts of funds in Europe—the transfers by bills of exchange, the Erlanger bond issue on the stock market, and the government's exportation of cotton—but they did not pursue these techniques on a scale large enough to meet their needs. Had the men who organized and operated the Confederacy's financial efforts in Europe understood the problems sooner and made greater use of the methods that proved successful, they could have assisted the war effort immeasurably.
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