

C23-1

Lecture 15

The Civil War

I. Causes of the War

Tariffs
Land
Competition
Property rights

Potential Income Loss to White Southerners from Abolition in 1860

| State | Per Capita Income (all persons) | Per Capita Income (free persons) | % Population Enslaved | % Potential Income Loss of Whites Postabolition |
|----------------|---------------------------------|----------------------------------|-----------------------|---|
| Alabama | 75 | 120 | 45 | 42 |
| South Carolina | 80 | 159 | 57 | 36 |
| Florida | 89 | 143 | 44 | 34 |
| Georgia | 84 | 136 | 44 | 29 |
| Mississippi | 125 | 253 | 55 | 29 |
| Louisiana | 131 | 229 | 47 | 24 |
| Texas | 100 | 134 | 30 | 24 |
| North Carolina | 79 | 108 | 33 | 19 |
| Tennessee | 75 | 93 | 25 | 18 |
| Arkansas | 95 | 121 | 26 | 17 |
| Virginia | 88 | 120 | 32 | 17 |
| Total | 91 | 135 | 38 | 23 |

Source: Gerald Gunderson, "The Origin of the American Civil War," *Journal of Economic History* 34 (1974): 922. Reprinted by permission of Cambridge University Press.

Alternatives to conflict: emancipation

The Cost of Emancipation in 1860

| Plan | Total Cost (million \$) | Annual Per Capita Cost | | |
|--|----------------------------|------------------------|------------------|----------------|
| | | All Free Persons | North- erners | All Persons |
| Immediate emancipation | 2,700 | 7.25 | 9.66 | 6.30 |
| Immediate emancipation + resettlement in Africa | 3,084 | 8.00 | 10.70 | 6.90 |
| Emancipation in next generation | 210 | .56 | .75 | .49 |
| Abolition in 30 years | 550 | 1.50 | 2.00 | 1.30 |

Source: Claudia Goldin, "The Economics of Emancipation," *Journal of Economic History* 33 (1973): 85. Reprinted by permission of Cambridge University Press.

II. Costs of the War

Direct Costs of the Civil War
(in millions of 1860 dollars, discounted at 6 percent
back to June 1861)

| | North | South |
|--|-------------|-------------|
| Government expenditures | 2,291 | 1,011 |
| Undercounted labor costs associated with draft | 11 | 20 |
| Destruction of physical capital | — | 1,487 |
| Human capital lost | | |
| Killed | 955 | 684 |
| Wounded | 365 | 261 |
| Less the "risk premium" component of soldier's pay | <u>-256</u> | <u>-178</u> |
| | 3,366 | 3,286 |

Source: Claudia Goldin and Frank Lewis, "The Economic Cost of the American Civil War: Estimates and Implications," *Journal of Economic History* 35 (1975): 304-09. Reprinted by permission of Cambridge University Press.

III. Financing the War

A. methods: bonds vs. inflation

B. consequences: inflation and redistribution

U.S. Domestic Prices and the Price of Gold in Greenbacks 1860–65

| Year | Day Laborers' Daily Wage | Hoover Consumer Price Index (1860=100) | Index of Real Day Laborers' Daily Wage | Price of Gold in Greenbacks |
|------|--------------------------|--|--|-----------------------------|
| 1860 | \$1.03 | 100 | 100 | 1.00 |
| 1861 | 1.04 | 101 | 100 | 1.00 |
| 1862 | 1.08 | 113 | 93 | 1.02 |
| 1863 | 1.20 | 139 | 84 | 1.37 |
| 1864 | 1.39 | 176 | 77 | 1.56 |
| 1865 | 1.48 | 175 | 82 | 2.02 |

Sources: Clarence Long, *Wages and Earnings in the United States, 1860–1890* (Princeton: Princeton University Press, 1960): Series A-12; U.S. Bureau of the Census, *Historical Statistics of the United States* (Washington, D.C.: Government Printing Office, 1975): Series E-174; James K. Kindahl, "Economic Factors in Specific Resumption: The United States, 1865–1879," *Journal of Political Economy* 59 (1961): 36.

IV. Impact of the War

A. In the North (the Beard-Hacker Thesis)

Average Annual Rate of Growth of Commodity Output

| Year | U.S. Economy | Manufacturing Sector |
|---------|--------------|----------------------|
| 1840–59 | 4.6 | 7.8 |
| 1860–69 | 2.0 | 2.3 |
| 1870–99 | 4.4 | 6.0 |

Interpretation: Manufacturing growth was as rapid from 1840 to 1859 as it was from 1870 to 1899.

Source: Robert Gallman, "Commodity Output 1839–99," in National Bureau of Economic Research, *Trends in the American Economy in the 19th Century*, vol. 24, Series on Income and Wealth (Princeton: Princeton University Press, 1960).

B. In the South: the *real* watershed

Commodity Output by Region and Sector, 1860–1880
(1879 prices; millions of dollars)

| Year | Total ^a | Agriculture | Mining and Manufacturing |
|-----------|--------------------|-------------|--------------------------|
| Non-South | | | |
| 1860 | \$1,674 | \$853 | \$821 |
| 1870 | 2,337 | 1,246 | 1,091 |
| 1880 | 3,876 | 1,861 | 2,015 |
| South | | | |
| 1860 | 710 | 639 | 71 |
| 1870 | 534 | 477 | 57 |
| 1880 | 838 | 738 | 100 |

^a Excluding construction.

Source: Stanley L. Engerman, "The Economic Impact of the Civil War," *Explorations in Entrepreneurial History* 3 (1966): 180.