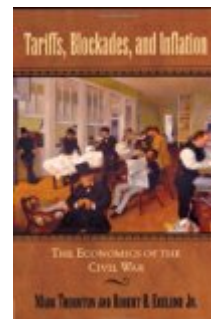


**Mark Thornton, Robert B. Ekelund Jr.** *Tariffs, Blockades, and Inflation: The Economics of the Civil War.* Wilmington: Scholarly Resources, 2004. xxix + 124 pp. \$19.95, paper, ISBN 978-0-8420-2961-2.



**Reviewed by** Jane Flaherty

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## Theory v. History

Mark Thornton and Robert B. Ekelund Jr. have written a concise synthesis of economic change during the Civil War era. They examine the topic through the lens of economic theory, rather than the "naive analysis" of the historian (p. 3). The authors present a forthright, libertarian perspective, lauding fellow travelers such as Jeffrey Hummel, and castigating or ignoring historians and economists who do not share their point of view. The libertarian interpretation of the Civil War defends southern secession as a righteous act. "Northern imperialists" waged an unethical and constitutionally unlawful war against an earnest rebellion. Economic domination, rather than preservation of the Union or concern for the enslaved, compelled the northern assault on the South, according to Thomas J. Pressly.[1] As Thornton and Ekelund explain in their introduction, "issues relating to states rights versus those exercised by the federal government were paramount." They continue, "Northern manufacturing interests benefited from high tariffs, southerners from lower tariffs. Ultimately the tensions raised

by this issue were more important in bringing the country to war" (p. xiv). As Pressly noted in his review essay, few libertarian historians actually studied history. Accordingly, both Thornton and Ekelund earned doctorates in economics. Thornton is currently a senior fellow at the Ludwig von Mises Institute and book review editor of the *Quarterly Journal of Austrian Economics*. Ekelund is the Edward K. and Catherine L. Lowder Eminent Scholar at Auburn University and the Vernon F. Taylor Visiting Distinguished Professor at Trinity University. As the book title suggests, the narrative is divided into three main chapters addressing tariffs, the Union blockade of the Confederate states, and inflation. These chapters are bound by an introduction and conclusion, all tucked into a tidy 124 pages.

The authors use few primary sources, relying instead on classic Civil War economic histories for both their sources and data. Those familiar with the literature will recognize most of their citations and a number of the graphs they reproduce. Their bibliographic essay concentrates on the recent libertarian interpretation, but also contains many of

the standard treatments of the period. The chapter on the blockade offers a unique interpretation, but none of the other sections provide new insights, despite the authors' repeated claims that this book offers a unique theoretical approach. Fans of Civil War historiography, or those like me who pore through citations and bibliographic essays for new sources, will see some novel references, but will find, primarily, old friends.

Economic theory, rather than historical analysis, provides the key to understanding the Civil War era, according to Thornton and Ekelund. The Civil War erupted because of a series of "rational decisions" made by different interest groups. They are not divided geographically but through "competitive economic groups" (pp. xxvii-xxix). Thornton and Ekelund introduce the book with a useful list of the "specific items of knowledge found" in the text; this includes a summary of the economic interests responsible for the instigating war, the reason for inflation during the war, how the Confederate government made the Union blockade effective, and "how the South got its famous nickname of Dixie" (pp. xxviii-xxix).

Chapter 1 begins the analysis of these constituents. "Economic interests, many of them at least somewhat related to slavery, were a major factor in the emergence of the conflict" the authors contend (p. 2). These interest groups, which formed for economic reasons, were not "geographically 'sectional' in nature but were based on common economic interests both North and South" (p. 3). These groups became so entrenched in American politics that they pushed the country to war. Southerners advocated collecting federal revenue from a balance of low tariffs and public land sales. Whig/Republican/northerners wanted to fill the Treasury coffers with high protective tariffs, subsequently redistributing "income from the producers of exports, such as cotton, to the producers of [protected] goods, such as iron and manufactured items" (p. 18). Consumers and "free trade advocates" were "sacrificed" for the inter-

ests of merchants, manufacturers, and labor (p. 15). The Republican party's "protectionist policies were an immediate threat" to slaveholder's profits (p. 24). Intrusive economic legislation, including, "tariff increases, slavery containment, and national control of banks ... set the stage for war" (p. 26). Although the authors assert that these divisions were not based on geography, they continually present the economic discord as a conflict between southerners who wanted low tariffs and northerners who wanted protective tariffs. The primary "economic interests" involved were "slavery and tariffs which were aligned within the North and South" (p. 25). Thus the promised new perspective and theoretical approach evolves as the simplistic North/South dichotomy, with an unpleasant whiff of the Dunning school empathy for the beleaguered slaveholders.

In chapter 2, the authors present an original spin for a well-documented phenomenon. Here they introduce the "Rhett Butler Effect," defined thusly: "As the blockade became more severe and the relative costs of blockade-runners adjusted to the constraint, the price of luxuries relative to necessities fell within the South" (p. 43). Blockade runners could profit more from delivering luxuries than staples, therefore they snuck more "bonnet ribbon, playing cards, corset stays and ... all kinds of personal items" into the Confederate ports instead of war necessities (p. 38). The Confederate government compounded the problem with a series of miscalculations: the self-imposed boycott of cotton exports (a short-lived experiment in extortion they hoped would force the British to support their cause), the printing of money, the policy of impressments, and the inadequacy of tax collection. Therefore, "the economic motives, however much we support or reject them ethically, morally, or philosophically, appear to have determined the outcome for the lifeline of the Confederacy" (p. 54). Though the authors lift a portion of Stephen Wise's title in to their text, they do not address his research showing that blockade runners did indeed deliver many of the need-

ed war goods and provided the "lifeline of the Confederacy." [2] This chapter suffers from Thornton and Ekelund's narrow interpretation of the Confederacy's self-indulgence. As Stanley Lebergott argued far more persuasively, "the South's most unexpected adversary in the Civil War, and most deadly, proved to be the South itself." [3] Lebergott's analysis was based on a wider range of economic policies. Thornton and Ekelund limit themselves too narrowly to the blockade as the "predictor of behavior and outcomes" that trumps "patriotism or altruism" for explaining the course of the war. They preface this chapter with the surprising claim that, "the most important battlefield of the war was at sea" (p. 30).

Their third chapter castigates the Union and Confederacy because both governments "resorted to inflation to finance the war effort and to disguise the true cost of the war" (p. 59). Greenbacks unnecessarily increased the cost of the war and created inflation. The Confederacy used "the greatest percentage of inflation and the smallest percentage of loans" compared to the other war governments in the United States (p. 74). These revelations do not break new theoretical ground and again rely on other writers who have presented these ideas more thoroughly and successfully. Thornton and Ekelund contend that "taxation ... borrowing ... conscription and confiscation were preferred finance options." Inflation from printing money "undermines the ability of producers and consumers to make rational economic decisions" and "drains too many resources from the economy" (pp. 66-67). "The best alternative, from an economic point of view," they state, "is non-inflationary finance, based on taxation and borrowing" (p. 75). This analysis ignores the fact that these "non-inflationary strategies" were employed by the Union or attempted by the Confederate states. Both governments printed money as an expedient because of the dearth of other forms of payment (such as specie). The Union, for example, borrowed over \$2 billion, and collected over \$670 million in internal taxes and \$435 million in tariff

revenue between 1863-65. In this short period of time, Americans went from being the "least taxed citizens in the world" to paying manufacturing excises, taxes on most consumer products, and an income tax. [4] Greenbacks were first issued in 1862, before this "non-inflationary" revenue was collected. The authors also offer a brief but biting condemnation of the National Banking Act, calling it a "colossal failure" (p. 78). None of this will enlighten those who have read, even sparingly, the ample literature on the economic impact of the war. In fact, this chapter merely condenses the work of more recognized authors, particularly Wesley C. Mitchell. [5]

Their conclusion starts with the premise that, "Historians have generally treated the economic impact of the Civil War in a positive fashion" (p. 81). This characterization overlooks the substantial and thoughtful literature produced since 1961, when Thomas C. Cochrane asked, "Did the Civil War Retard Industrialization?" [6] Many historians and economic historians have answered affirmatively, applying this theme to various areas of economic development (or non-development, if you share this view) during the Civil War era. Nonetheless, Thornton and Ekelund state dramatically: "We find little evidence, either theoretical or otherwise, in the areas of the protective tariff, the national banking system, public works such as intercontinental railroads, or innovative technology, that the Civil War contributed anything positive to postwar development" (p. 91). The material used to support their conclusion is drawn, again, from limited and familiar sources. They do end with a bang, however. The Civil War was the "watershed event," they state, even more than "two World Wars, 'progressivism,' the Great Depression and Roosevelt's New Deal, the Cold War, and Vietnam," that gave us the "modern, mega-national government we have today" (p. 101). This growth of government represents the chief libertarian complaint with regard to the Civil War era. The Civil War, they claim, destroyed the economic lib-

erty Americans cherished during the antebellum era.

Throughout the book, the authors prate about their theories, but one is hard pressed to characterize their work as innovative. Charles A. Beard offered the same economic determinism eighty years ago. They present a few interesting ideas, but these are overwhelmed by the authors' regrettable habit of making uninformed, flippant comments. Thornton and Ekelund misrepresent Article I, Section 8 of the Constitution, stating that tariff duties were intended to be "uniform or the same on all goods" (p. 14). Instead, this provision directs Congress to fix uniform rates nationally (geographically, rather than materially), since states applied their own import and export taxes before 1789. In another example, they state that "politicians who borrowed and spent the money during the war were not necessarily the same ones who had to pay off the debt" (p. 69). Anyone familiar with the careers of Justin S. Morrill and John Sherman recognize this as a disingenuous comment. Finally, they contend that the "national banking system [was] a major political victory for the Hamiltonian and Whig tradition" (p. 78). Treasury Secretary Salmon P. Chase, conceived this act and later stated that "on questions of finance, commerce, and administration, generally the old democratic principles afford the best guidance." [7] The banking act, he believed, greatly improved the chaotic banking practices that had been in effect since the demise of the Second Bank of the United States. Chase, a man who stood under many different political banners, disdained most Whig economic policies, and attempted later, as Chief Justice of the Supreme Court, to overturn legislation he helped enact during the course of the war. This book does not provide any thoughtful consideration of these complexities. Lawmakers, like Chase, did what they believed was necessary for the nation's survival, even if it compromised their fundamental beliefs in what constituted prudent fiscal policy. This irrational

behavior does not readily jive with the authors' economic theory.

In short, *Tariffs, Blockades, and Inflation* lacks historical perspective. However, I do not believe this comment will offend the authors. They show repeated contempt for historians and the process of historical research, an unfortunate trend amongst economists who write about the past. Recently, Peter Coclanis lamented that the field of economic history had deteriorated because of the "internal sniping and skirmishing" between historians and economists.[8] This book perpetuates this disagreeable trend. However, you may want to add it to your course list. Short books appeal to students, and the authors' pugnacious tone will invigorate your seminar discussions. Thornton and Ekelund also provide a straightforward introduction to the Beard school of economic determinism. Few contemporary scholars present such a forthright Beard approach, so this gives instructors a great historiographical opportunity. Just be prepared to answer the questions your better students will ask.

#### Notes

[1]. Thomas J. Pressly, "Emancipating Slaves, Enslaving Free Men: Modern Libertarians Interpret the United States Civil War, 1960s-1990s," *Civil War History*, 46 (September 2000): pp. 254-265.

[2]. Stephen R. Wise, *Lifeline of the Confederacy: Blockade Running during the Civil War* (Charleston: University of South Carolina Press, 1988).

[3]. Stanley Lebergott, "Why the South Lost: Commercial Purpose in the Confederacy, 1861-1865," *Journal of American History*, 70 (June, 1983): p. 58.

[4]. "Annual Report of the Commissioner of Internal Revenue," 1863, p. 1.

[5]. Wesley C. Mitchell, *A History of the Greenbacks, with Special Reference to the Economic Consequences of their Issue, 1862-1865* (Chicago: University of Chicago Press, 1903).

[6]. Thomas C. Cochran, "Did the Civil War Retard Industrialization?" *Mississippi Valley Historical Review*, 48 (September 1961): pp. 197-210.

[7]. John Niven, *Salmon P. Chase: A Biography* (New York: Oxford University Press, 1995), p. 427.

[8]. Peter Coclanis, "The Puzzling State of Economic History," *Historically Speaking*, 1 (March, 2000): p. 4 the Reviews editorial staff: hbooks@mail.h-net.msu.edu.

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