



CHRISTOPHER G. MEMMINGER

Confederate Secretary of the Treasury 1861-1864

From *"The Life and Times of C. G. Memminger"* of Henry Capers, Chief Clerk of the Financial Department. Everett Waddey Publisher, Richmond, VA., 1893.

Upon the assembly of the Confederate Congress, the city of Montgomery at once became a center of attraction for all who were in sympathy with the Secession movement, and thither came many visitors, young and old, ladies and gentlemen, attracted by the stirring events of the times. As the capital city of one of the most prosperous of the cotton States, Montgomery had long been the seat of elegance, and in the social caste of its citizens, reflected the noblest characteristics of our peculiar Southern civilization. To these local expressions were now added the surroundings of a government established by the gentry of the South. Amid these surroundings the writer found himself on the day when the election of Mr. Jefferson Davis and Mr. Alexander H. Stephens, as President and Vice-President of the Provisional Confederacy, was formally announced. The interval between the election of these distinguished men on the 9th of February, and their inauguration on the 18th of that month, was employed by the Congress in providing a revenue system, the organization of an army and a navy, and in such other legislation as they were enabled to undertake by the provisions of their temporary establishment; while a joint committee, composed of members of the Confederate Congress, members of the Alabama Legislature and of the City Council were arranging the details of the inauguration, which was to be made as imposing as possible. Early on the morning of the 18th, the good people of Montgomery were astir preparing for the ceremonies of the day, The weather could not have been more auspicious. Brightly the sun shone, while the soft, southwesterly winds, had brought out the first smiles of spring to gladden the many warm hearts that were waiting to greet the first President of the newborn government. The ringing noise of the hammer had ceased,

while busy fingers and the strong arms of noble women and gallant men had transformed the front of the stately capitol building into a grand amphitheater, whose huge columns were wreathed with festoons of laurel and of magnolia, making a fit stage for the presentation of the first scene in this greatest, drama of modern history. Notice that the inaugural ceremonies would take place on the 18th of February, had been sent by telegram, printed and posted everywhere throughout the country, North as well as South. As early as the Friday before the time fixed, the streets evidenced the growth of the crowd who, from adjoining States, far and near, had come to witness the natal day of this new government. Promptly at 10 o'clock, Col. II. P. Watson, of Montgomery, as chief marshal, appeared in front of the Exchange Hotel, accompanied by the following aids, appointed by the Convention to represent the several States: Florida, Hamilton Wright; Georgia, Daniel S. Printup; South Carolina, Henry D. Capers; Louisiana, Robert C. Wood; Mississippi, Joseph P. Billups; Texas, Preston H. Roberts.

The procession was formed on Montgomery street, the escort being composed of the following military companies, under the command of Captain Semmes, of Columbus, Ga.: Columbus Guards, Lieutenant Ellis commanding; Independent Rifles, Captain Farris; Eufaula Rifles, Captain Alf. Baker; German Fusiliers, Captain Scheussler. Following the military came the special committees from the Convention of Delegates, the State Legislature, and the City Council, in open carriages; the President-elect followed in an open carriage drawn by six beautiful gray horses. To the left of Mr. Davis sat the Vice-President, Mr. Stephens. Next came the members of the Provisional Congress, Governors of the several seceded States, and other distinguished citizens in carriages, followed by a division of civic societies, and many hundreds who had left their homes and varied business occupations to do honor to the occasion. The citizens of Montgomery never before, and, in all probability, will never in the future, witness a more brilliant pageant; certainly there cannot occur in the history of any American city an event so full of interest.

Arrived at the Capitol, Mr. Davis ascended the steps of the portico with Mr. Cobb, followed alone by Mr. Stephens and the Rev. De. Manly. The spacious platform in their front was occupied by the Congressional delegates and members of the Alabama Convention, and other distinguished persons, while beyond these and on either side there were thousands eagerly securing every available spot to see and hear what was to take place. As the last gun from a section of artillery finished a salute, the ceremony of the inauguration was begun with an impressive prayer from the venerable Doctor Manly. Never can I forget the scene that at that moment presented itself, and while my mind retains its faculties, I will recall the pleading eloquence of the aged man as he invoked the blessing of God upon the President elect and upon the cause he was chosen to maintain. The great concourse of people seemed to have been similarly impressed, and were awed into silence so complete that, seated on horseback near the outskirts of the assembly, I heard, with great distinctness, nearly every word of this most impressive prayer. At its close, Mr. Cobb formally announced that the President-elect, Mr. Davis, had arrived, and was now ready to take the oath of office. Mr. Davis came forward amid a storm of applause. As soon as it was quieted, in a clear and measured tone of voice he gave a distinct utterance to his inaugural address. This address appears in full in some of the histories of that period. Its insertion here I do not deem necessary. At the close of his address, turning to Mr. Cobb, Mr. Davis declared his readiness to take the oath of office as President of the Confederacy, which was accordingly administered by Mr. Cobb.

In uttering the words, "*So help me God, Mr. Davis, turning his eyes towards the*

heavens, in a most impressive manner repeated the words.” So help me God, in a tone of voice so loud and distinct that he could have been heard to the extreme outskirts of the immense assembly. Thus ended the ceremony of this historic occasion, one never to be forgotten by those who were present, and that must mark for all time to come an important era in modern history. At night there was a reception, followed by a brilliant ball at Estell Hall. Here the beauty and chivalry of the South, from Texas to Virginia, was assembled, and amid a wealth of flowers, emblematic decorations, and all that a cultivated taste could suggest or that wealth could furnish, the first hours of the Confederacy were ushered in. The next morning I was informed by Mr. Keitt, of South Carolina, that Mr. Memminger had been nominated Secretary of the Treasury, and that he desired to see me as soon as possible. I found him at his room in the Exchange Hotel. Without much ceremony he made known he desired that I should serve him as Private Secretary. The selection of myself for this responsible position, doubtless grew out of the long-established friendship existing between my father and the distinguished Carolinian, rather than from any experience I had acquired either as an accountant or a secretary. Requesting me to call upon Colonel Clanton of Montgomery, for information as to the location of the building to be used for executive offices, he directed me to publish a notice in the morning papers stating where his office was to be found, and to remain there between the hours prescribed by him. With that earnest expression which all will remember who have seen Mr. Memminger when he was interested, he remarked: *“The world must know at once that we are at work, and that we are in earnest.”*

If the architect had anticipated the organization of a government at Montgomery on short notice, he could not have planned so small a building and have arranged its rooms more conveniently for the use of the several heads of departments. On the lower floor, with entrances from two streets, was a large banking office, with a vault attached, and rooms in the rear for executive offices. The keys to these apartments had been delivered to me by Colonel Clanton. With them in my hand, I was at an early hour the next day to be found the sole occupant of one of these rooms, upon the door of which had been placed a card designating it as the office of the Secretary of the Treasury. Upon entering this room I found it without furniture of any kind; empty of all it had ever had in it of desks, table, chairs or other appliances for the conduct of business. Nothing met the surprised self-importance of the dignified youth but bare walls and a dusty floor. Realizing that within one hour the time would arrive for the Secretary’s office hours to begin, I started out in haste to find a furniture store. Fortunately this was close at hand, and just being opened for the day’s traffic. Introducing myself to the gentleman I found in charge, who proved to be the energetic son of Mr. John Powell, I stated the emergency of my case to him, and in a few moments had the satisfaction of seeing him on his way to the Commercial buildings with a neat walnut table, a small desk, and a set of office chairs. When nine o’clock arrived I had swept out the dust and cob-webs of my predecessor’s office, placed the furniture in position, and was receiving through an improvised office boy, the first invoice of stationery for the government, from Messrs. Pfister & White, excellent gentlemen, whose book store, in the Exchange building, was known to me as a pleasant stopping place. Ten and eleven o’clock had passed, and I was yet alone in any glory. Pens and ink stands were in place. Legal cap paper presented unwritten pages, and still no one had called upon the Secretary, nor had the Secretary called upon his clerk. I had readjusted everything time and again, gone to the door opening on Commerce street, read and re-read the announcement in the papers, instructed my green office boy a dozen or more times as to the proper mode of receiving

a visitor at the front door, when, at last, a messenger arrived with a note from Mr. Memminger informing me that he would be detained with Congress during the day. Another visit to Mr. Powell resulted in a neat matting for the floor, and other conveniences, which made the Secretary's office, by the next morning, quite comfortable. These details are given to illustrate the small beginnings of the Confederate government, and as they unfold themselves, the reader will see how great emergencies were met from the most limited resources.

While thus remaining the sole occupant of the executive building, and passing the short interval between the organization of the cabinet and the avalanche of work which immediately thereafter bore upon every resource of mind and body, in arranging the appointments of the department, I had the seclusion of my dignity disturbed by a visit, which, while it brought my energies into play, uncovered the then limited resources of the Confederate Treasury.

I had just entered upon the routine duties of the morning, when a brisk, firm step in the hall, and a sharp, decided rap at the door, evidenced the presence of some one on an earnest mission. To the provincial reply "Come in" which supplemented the absence of my office boy, there entered a tall, soldierly-looking person, whose whole bearing indicated one accustomed to command. This person at once inquired for the office of Secretary of the Treasury. When informed that he was then in the place appointed as such, he scanned the room in a half skeptical manner and informed me with some emphasis that he desired to see the Secretary at once and on very urgent business. I elated to my visitor that Mr. Memminger was engaged at the Capitol and that he would not be at the office during the morning. To the further suggestion that I might possibly serve him, as the Secretary's representative, he at once unfolded his mission. "*I am Captain Deas, sir, late of the US army*", was the announcement of himself. Handing me a note he proceeded about in this manner: "*I have been instructed, sir, by the President, whose letter of introduction to the Secretary I have handed to you, to provide blankets and rations for 100 men, who have reported to him for duty in the army. I want the money to carry out the instructions of the President.*" Returning the President's note to Captain Deas, "*late of the US army*", I assured him that nothing could give me more pleasure than to comply with the President's request; "*but, Captain*", said I, drawing a lean purse from my pocket and opening it, "*I have been on a considerable frolic in Montgomery for the past two weeks, and my finances at this moment are somewhat demoralized.*" Ascertaining that I had a sum amounting to not more than five or ten dollars, I continued: "*This, Captain, is all the money that I will certify as being in the Confederate Treasury at this moment.*" At first the dignified Captain appeared provoked at my humor, which to him may have appeared impudence, but when informed that I was with but two days experience in a department that began its operations with my presence, he relaxed and seemed to appreciate my position and to enjoy the joke.

Something had to be done, however, to meet this first requisition on the Treasury, as the gallant Captain was determined to execute his order. We were soon at the Capitol to interview Mr. Memminger. Congress was in secret session, but I was enabled to communicate with my chief, who gave me a note of introduction to Mr. Knox, president of the Central Bank of Alabama, that enabled me to open a credit for the Confederate Treasury, based upon the personal obligation of the Secretary. The relief of Captain Deas was as much a matter of pleasure to me as it could possibly have been to him. We parted with each other at the bank with the understanding that he would make the purchases and send the bills to me for payment. In the evening I visited the troops, in

whose behalf this first exercise of executive authority had been made, and ascertained them to be a company of 100 men from Georgia, who had tendered their services to President Davis. They were under the command of an officer selected from among their number, who bore the historic name of George Washington Lee. Captain Lee was from DeKalb County, Georgia, and his company was the first body of troops who had enlisted to maintain the cause of the Confederacy. Within a week from the date of his appointment as Secretary of the Treasury, the legislation necessary to establish a credit for the Confederacy had been completed, and Mr. Memminger, with the earnest devotion which had characterized his history in private and in public life, was a Cabinet officer, executing the provisions of the enactments of the Provisional Congress.

If, from the necessity growing out of the incomplete character of this legislation, I had found, for the first day or two of my official life, but little to do, there were no moments of leisure when the Secretary transferred his energies and business experience from the deliberations of Congress to the executive branch of the government over which he had been selected to preside. It is recorded, by one of his biographers, that the great Bonaparte possessed such a wonderful vitality, and was so minute in his elaborate details of office work, that he would exhaust the physical powers of more than one secretary when formulating the plans and arranging the methods of his military and civil administration. I know of at least one secretary who would often leave the office of the Secretary of the Confederate Treasury after midnight, utterly worn out with labors that had begun in the early morning, and who would leave his weariless chief absorbed in some one of the many problems incident to his most important office.

To organize a Department of Finance for a government formed amid revolutionary surroundings, that would constantly derange normal conditions of political economy and disturb the established basis of credits; to meet promptly the financial demands of such a government, growing as these were, day after day, into colossal proportions, required not only the machinery of organization, but the utmost skill; the resource of the best judgment, and a sagacity which could anticipate events yet to occur. To meet all the emergencies of the government, the Provisional Congress had provided a loan of fifteen millions of dollars. To the work of preparing and of securing the representatives of this credit and negotiating loans, the Secretary of the Treasury had his attention drawn immediately upon assuming the duties of his office. It will appear strange to one who follows the history of subsequent events, that the Congress should not have anticipated the gigantic war in which the cradle of the Confederacy was not only rocked, but which was in the end to exhaust its powers. The reason for this is to be found in the declaration of right upon which the secession movement was based.

Granting the right, secession was believed by some to be a peaceable remedy for the wrongs which the Southern States had so long endured. It never entered into the minds of the very large majority of the Southern Democrats, and was only entertained by a minority of the North, called "National Democrats", that the States had not the right to resume their sovereignty at pleasure. Even among those at the North who held contrary views, there was a prevailing opinion that the Federal government, or more properly the Federal party, would not attempt to coerce the seceded States by a resort to arms. While the "National Democrats", at the North, were manifesting their opposition to coercive measures on the part of the US government, there was also a very respectable minority among the Whigs and the Republicans in that section who had declared against the policy, if, indeed, they had previously advocated the right of coercion. Mr. Seward, in addressing the U.S. Senate, January 12th, 1861, declared his principles to be the "Union

before Republicanism.” He urged not only the repeal of the personal liberty bill, and the enforcement of the fugitive slave law, but urged the Federal government to prevent the invasion of one State by the people of another. The bitter manner in which this conservative address of the New York Senator was denounced by the radical wing of the Federal party clearly evidenced that it was not the great constitutional question involved in the act of secession, but just such a fanatical zeal as John Brown had shown in his pretended opposition to the institution of slavery, that was forcing the Federal authorities to over-ride the Constitution. The position taken and earnestly maintained in the New York Tribune by Mr. Greeley, was in direct opposition to the spirit of the majority of his party. While he considered the secession of the Southern States an error, he emphatically urged that the *“erring sisters be allowed to go in peace.”*

In accord with the expression of the leading Republican journal of the North, the New York News published at the time the names of seventy newspapers, received as exchanges from the different Northern States, opposing all coercive measures on the part of the government as being both unconstitutional and impolitic. Even Lincoln, in his Springfield, Illinois, speech, delivered in January 1861, did not, in more than equivocal terms, indicate a conviction that the Federal government had, or would exercise, the right of forcing a State into submission to the will of his party. He ended this meaningless address by frankly admitting that he had asserted nothing, and had asked a few questions very difficult to answer.

Thus it was that from the assembly of the Provisional Confederate Congress, on the fifth of February, until the delivery at Washington city of the inaugural message of President Lincoln, on the fourth of March, there was nothing to indicate a clearly-defined policy on the part of the Federal government or of the political party that had accidentally come into the possession of its machinery. For these reasons, taken in connection with the further fact already mentioned, that the seceded States were exercising a right of sovereignty asserted and maintained in the highest courts of adjudication known to our government from the foundation of the Union of States, the Provisional Congress of the Confederate States made no further provision for the exigencies of the revolution than was necessary to maintain the government on the basis of a peace establishment.

As soon as the act providing for the loan had become a law, Mr. Memminger began the work of preparing the representatives of our Confederate credit. So exclusively agricultural had been and were the pursuits of the people of the South, and so long accustomed to depend upon the Northern manufacturers, and upon the resources of European nations, that at the very outset of his labors the Confederate Secretary found serious difficulty in providing the coupon bonds, certificates and treasury notes which were to represent the financial resources of his government. In none of the Southern cities could engravers on steel or stone be found. Under these circumstances resort was had to the facilities offered through the active co-operation of Mr. G. B. Lamar, president of the Bank of the Republic, in New York City. Acting as our agent, Mr. Lamar entered into a contract with the American Bank-Note Company for engraving and printing the bonds and treasury notes authorized by act of Congress. The work was handsomely executed on the best of banknote and bond paper, but, with all the precaution taken by Mr. Lamar, the entire issue fell into the hands of the servants of the Federal government and was seized as being contraband of war. Hence we were driven to the expedient of importing engravers from abroad, and were compelled to resort to the use of such appliances and machinery as could be improvised at home.

The few paper-mills in the South were manufacturing only an ordinary grade of newspaper or the common wrapping paper used in the shops. For some time we had to rely upon the bank-note paper that could be obtained through partially closed ports, or that was brought across the frontier of the Confederacy by our trusted agents. The enterprise and skill of Messrs. Evans, Cogswell & Co., of Charleston, S. C., supplied the coupon bonds, but the difficulty of engraving and printing the treasury notes was not solved until after the removal of the Executive departments of the government to Richmond, in the summer of 1861. Here Messrs. Hoyer & Ludwig, skilled engravers, were established by the Treasury Secretary and under the supervision of an officer, the first treasury notes were engraved upon old and inferior stones used formerly for common placards, and printed upon paper brought from Baltimore by agents employed in the special service of the Treasury Department. There was a paper mill at Richmond, but heretofore it had been manufacturing no better grade than the ordinary newspaper used by the local press and printers. It became obvious to Mr. Memminger, at an early day in his administration that this want of facilities for producing the material upon which to express the evidences of credit authorized by acts of Congress would have to be supplied either by the Confederate government or by individual enterprise. Without delay he called to his aid Mr. Montague, president of the Richmond paper-mills, and at once began, with his active co-operation, arrangements for the manufacture of linen and the best quality of bank-note paper possible under the circumstances.

In his report to Congress, March 14, 1862, Mr. Memminger thus refers to these difficulties: "*At this stage of our progress we were brought to a stand by the difficulty of preparing treasury notes in the Confederate States. We had become so entirely dependent upon the North that but a single bank note engraver could be found in the Confederate States, and none of the material necessary for a bank note was manufactured amongst us. We were, therefore, compelled to substitute lithographs for steel engravings, and to create the manufacture of bank-note paper. The delays incident to such a state of things produced many difficulties, and rendered it impossible to furnish an amount in notes adequate to meet the daily requisitions of the departments. The banks were applied to for a loan of their notes to meet the exigency. They promptly responded, and the balance due them is set forth in one of the schedules accompanying this report.*" This statement will also explain why the Confederate treasury notes were at first so objectionable in appearance. Until the Richmond mills had secured the necessary machinery and stock for the manufacture of bank-note paper our supply was obtained entirely from Northern cities, through friends in Maryland, whose expedients to secure the safe delivery at Richmond of the much-needed paper have furnished to me a story abounding in ingenious device and thrilling adventure.

In perfecting the organization of the several divisions and sub-divisions of the Treasury Department, the system devised by Alexander Hamilton, and still in use at Washington City, was with some modifications adopted by Mr. Memminger. At the commencement of his administration the Secretary was fortunate in securing the valuable services of a number of gentlemen, whose sympathies with the cause of the Confederacy prompted them to resign prominent positions in the United States Treasury Department and to tender their services to the Confederate government. Mr. Philip Clayton, who had been assistant secretary under Mr. Howell Cobb, at Washington, was appointed Assistant Secretary of the Confederate Treasury. Having a knowledge of the forms, and of the general working of the system at Washington, he rendered valuable services in the organization of our department. Accompanying Mr. Clayton to

Montgomery from Washington was Mr. Charles T. Jones, who for years had served in the United States Treasury, and who possessed an accurate knowledge of the business formulas. He brought with him copies of all of the forms in use in all of the several bureaus. To the willing spirit and indefatigable labors of Mr. Jones we were more indebted than to any single individual for the rapid and perfect organization of the department in all of its details. Mr. Jones was a native of Indiana, a gentleman of many excellent social virtues, and as a careful and systematic businessman, superior to any I have ever known. On the 10th of March, less than one month after the appointment of the Secretary to office, the Treasury Department of the Confederacy was thoroughly organized, with the following officers on duty:

Executive Office C. G. Memminger, Secretary; Philip Clayton, of Georgia, Assistant Secretary; H. D. Capers, Chief Clerk and Disbursing Officer; J. A. Crawford, Warrant Clerk; Henry Spamick, Edmund Randolph, H. Kermerworth, J. H. Nash, J. P. Stevens, J. W. Anderson, Thompson Allan, Clerks, Comptroller Lewis Cruger; John Ott, Chief Clerk. First Auditor Boiling Baker; W. W. Lester, Chief Clerk; J. W. Robertson, M. F. Govan, J. F. Ezell, Clerks. Second Auditor W. H. S. Taylor; J. C. Ball, Chief Clerk. Register A. B. Clitherall; Chas. T. Jones, Chief Clerk; J. C. Thayer, James Simons. Treasurer Ed. C. Elmore; T. T. Green, Chief Clerk; Thomas Taylor, Cashier.

I regret that I have not the memoranda with which to refresh my recollection of the names of all the clerks who were at this date assisting in the several bureaus of the department. I have given above only such names as I am enabled to recall from memory after a lapse of many years. Excellent gentlemen and superior business men were among others whose names have been lost among the multitude I have since met with in the varied associations of the past years.

The terms under which the clerks and employees held their offices in the Executive departments of the Confederate government were such as to secure the best of service from competent persons, and to inspire a sense of personal self-respect by investing the employee with such security in his tenure as would naturally provoke fidelity in the discharge of his duty, while at the same time the government had the benefit of his efficiency. Cabinet officers were appointed by the President, who held their offices for six years, but all other executive and judicial appointments were for life, or during good behavior. An officer, once appointed, could not be removed unless it was shown that he was intellectually incompetent, negligent in the discharge of his duties, or dishonest, or unless the office held by him had been abolished by the authority creating it. In the service of the several departments of the government, each Secretary was the judge of the number of clerks necessary to perform efficiently the work of the several divisions and sub-divisions of his department, and was expected to make such rules and such appointments to office as in his judgment the exigencies of the public service required.

While the assistant secretaries and chief bureau officers were confirmed in their appointments to office by the Senate on the recommendation of the President, they were by no means independent of the executive head of the department to which they belonged, and could be removed from office for cause or suspended at his pleasure by the consent of the President. Mr. Memminger very wisely allowed the several chiefs of the divisions into which his department was divided to nominate the clerks for appointment who they desired to serve under their supervision to him. Upon this nomination being made and approved by the Secretary, the clerk received a temporary commission in these words:

“Sir, You are hereby appointed a clerk in the Treasury department of the

Confederate States on trial for the period of six months, and are assigned to duty with, to whom you will at once report. At the expiration of the time prescribed herein, if a favorable report is made on your character and efficiency, you will receive a permanent commission should the exigencies of the public services render it necessary to employ you."

The very correct opinion of the Secretary was that, as the bureau officers were held responsible for the proper discharge of the work in their several branches of the public service, and in several instances were under bond in large sums, that they should be allowed to select largely their own assistants. The probation prescribed would be sufficient to develop the fitness of the appointment and to give sufficient time in which to investigate the antecedents of the clerk. The Secretary had spent his active life as a commercial lawyer among the best businessmen of a seaport city, famous for its orthodox methods in America and Europe, and viewed the whole matter of appointments to office strictly from a business standpoint. The gentlemen who had entered the Department of the Treasury from Washington were evidently much surprised at the surveillance under which they were kept, and were frequently comparing the lax methods of a clerk's life in that Capitol City with what some of them were pleased to call the banking-house service of Mr. Memminger. If there was a sinecure's place in his department, the Treasury Secretary was not aware of its existence. I understood then, and from him, the reason why he sought from the first to place his department under the regulation discipline, which appeared to excite the disgust of those who had resigned clerkships in the department at Washington to accept the service of patriotism in Montgomery. It was as far from the mind of Mr. Memminger as it was in antagonism with his social spirit to play the role of a martinet or to be a tyrant. He believed that an officer of the government, who received pay for his services, should render a quid pro quo for the same just as completely and in all honesty, that the same would be demanded in any properly conducted business establishment.

Hence, he fixed regular business hours, from 9 AM to 3 PM, and if the exigencies of the public service required it, the working force was ordered back to their desks in the evening, to remain there until the pressing business was finished. As an example to his subalterns, the Secretary was the most punctual and devoted among all of the officials. Unless he was called to a Cabinet meeting or was engaged in the Senate, you could find him with certainty at his office, where he was generally among the first to arrive and last to leave. The reader need not infer that we were exempt from the annoyances, if you please to call them such, incident to the life of all officials who have the appointing power vested in them, but there was not in those days the immodest pressure brought to bear which, we are informed, is the most disagreeable feature of the public service at Washington city and elsewhere in the country. At an early day I was required by the Secretary to address the following circular letter, enclosing a copy of rules, to the several bureau officers of the department. These rules were ever afterwards rigidly adhered to, as embodying the general regulations of this department:

"SIR, I am directed by the Secretary of the Treasury to call your attention to the accompanying rules respecting the general service and the appointment of clerks in your bureau. The necessity for the prompt dispatch of the public business, and the Secretary's desire to have none but worthy and efficient employees in the department, require that these regulations be strictly enforced.
Respectfully, H. D. CAPERS, Chief Clerk."

REGULATIONS

1. Persons desiring appointment to office in the Treasury Department must present to the Secretary, through his Chief Clerk, their applications written in their own handwriting, stating their names, place of nativity, their present place of residence and past experience. This must be accompanied with such references as they are enabled to give. The endorsements of well-known businessmen in the community in which the applicant resides are preferred to any others.
2. The Secretary requires that a report shall be made to him on the first day of every month, setting forth the number of clerks on duty at that date, their particular assignment to duty and their efficiency; also, the additional number of clerks necessary to meet the requirements of the service in each division of your bureau, with the character of the work they are expected to perform. You will accompany this report with the nominations of such persons as may have had their applications referred to you from this office, or such other persons as you are led to believe are better qualified to perform the duties required than those who have formerly applied. Upon the receipt of your report temporary commissions for six months will be issued to those you may nominate for appointment. At the expiration of this time, if it should be discovered that they are in all respects qualified as competent business men for the position of clerks in this department, permanent commissions will be issued over the signature and seal of the Secretary.
3. In assigning clerks to duty you will keep in mind that promotions are to be made alone from among those who, by fidelity and efficiency in the discharge of duty, have fairly won the right to distinction. This is the only rule by which you will be governed in the promotion of clerks in your bureau from one class to another.
4. Your attention is called to the necessity of observing the business hours as fixed by the Secretary viz: From 9 o'clock A.M. to 3 P.M. If the exigencies of the public service, in your judgment, should require it, you will, at your discretion, order the clerks on duty in your bureau back to their business places in the evening, to remain until the business of the day has been fully brought up. This is especially necessary in the bureaus of the Auditors and the Comptroller. While no improper haste is to be allowed, yet there must be no unnecessary delay in advancing the business of the department.
5. All loitering on the part of the clerks, employees or visitors about the offices of the department is strictly forbidden during office hours. The offices of this department are considered as much places of business as the counting-rooms of merchants or bankers, and are not the places in which to entertain guests. The janitors and messengers will extend all proper courtesies to visitors, but this will in no wise extend beyond the civilities of a business establishment. Clerks or employees desiring leave of absence must apply in writing for the same to the head of the bureau in which they are serving, stating the time for which this absence is desired. If the application is approved, a copy of the leave of absence must be filed with the Chief Clerk of the bureau before the person leaves, who will at once forward the copy to this office.
6. The pay rolls of the several bureaus in this department must be approved by the Chief Clerk and filed with the Disbursing officer of the department on the 25th day of each month for inspection. All requisitions for office furniture, stationery, etc., must be made in the form prescribed, and certified to as required, by the chief of the bureau in which the same is to be used, and filed with the Disbursing officer of the department

for consideration. While ail the necessary conveniences for office work will be allowed, no extravagance will be permitted.

7. Officers, clerks, or employees in the departments are strictly forbidden to correspond with newspapers or to furnish any information or abstract from the files or the records without special permission from the Secretary in writing. Any violation of these rules will subject the offender to prompt suspension or discharge.

An inflexible adherence to these rules and the prompt enforcement of the prescribed penalties, secured, in connection with the willing spirit of excellent officers, the most efficient service. It is likewise true that their enforcement subjected Mr. Memminger to the harsh and unmerited criticism of a class of politicians who were not disposed to consider an official as a public servant, on duty under a public trust, and who had for some reason, best known to those who had held office in Washington city, been disposed to regard appointments to office as an immunity from labor; that the treasury was a kind of public depository to be drawn on as a right of political partisanship under the guise of compensation for services rendered, and which, if rendered at all, are generally so at a cost to the government far in excess of the salaries paid at well regulated banking establishments. Mr. Memminger took a strict business view of the matter, and was in the Treasury Department enforcing only such regulations as a businessman would expect to see enforced among the representative commercial men of the country. There were not the difficulties in his way incident to the existence of rival political parties.

Among the few who did not hesitate in my presence to express, in unmeasured terms, their dissatisfaction with the rules of the Secretary, and especially with the rigid manner in which they were enforced, was the Assistant Secretary, Mr. Philip Clayton. Accustomed to the easy methods of the department service in Washington city, and as an Assistant Secretary there, to use his convenience in meeting the wishes of an indulgent Secretary, whose training had been with politicians or on the judicial circuits of Georgia, Mr. Clayton soon began to manifest opposition to "restraints" and "exactions", as he termed them, of the Carolina Secretary, not alone in his remarks to the Chief Clerk, hut in a form of innuendo addressed to third persons in my hearing, the evident intention being that these remarks should reach the Secretary through his confidential clerk. I do not attribute Mr. Clayton's objection to the discipline of Secretary Memminger to an indisposition on his part to discharge the duties of his office, but to an ultra democratic spirit which rebelled against all impositions of restraint. He was social in his nature and very fond of company, and never happier than when with congenial associates, he was discussing the philosophy of politics or religion, or some one of the abstract sciences. It would happen at times that some one or more of his friends would call upon the Assistant Secretary during office hours. To remind them that a social visit at that time, and at a business office, was contrary to the rules of the department was to admit that he was under the subordination of a law he had no authority to suspend at his pleasure. Hence, he was brought, through his real good nature, into a position which ultimately provoked a reprimand and alienated the official confidence of his chief.

No one could have regretted this unhappy result more than myself. Mr. Clayton possessed rare intellectual endowments, to which, if there had been added more of nervous energy and the systematic habits of a businessman, the Confederate Treasury Department would have had in him an invaluable officer. His wonderful mathematical intuition, by which, at apparently a glance, he could make almost any desired

combination in figures, was really phenomenal. His accuracy in figures became so well established that no one for a moment, would question the result with the endorsement of his signature to the statement. It may be readily inferred that the want of sympathy between the Secretary and his assistant would, if permitted to continue, become a source of annoyance to the Secretary and derange also the work of the department. There was no attention paid at first to the disaffection of Mr. Clayton by the Secretary, who expressed to me the hope that his assistant would yield his peculiar whims and methods when he, in common with others, was served with a copy of the department regulations. In this the Secretary was disappointed. It was not until about this time that the Secretary ignored the presence of his assistant, and would refer directly to me business matters of a confidential character which should have been properly entrusted to Mr. Clayton.

At length there was an open rupture. Mr. Clayton's friends were not strong enough in their influence, with either the President or Congress, to maintain the Assistant Secretary in his position. He resigned his office on the demand of the inflexible Secretary, and shortly thereafter issued a publication in which he made an attack upon the administration of the Secretary, which savored more of the spirit of insubordination than of either patriotism or self-control. An examination of the regulations found above, will fail to convince anyone at all accustomed to the systematic order of business affairs, that there was a single exaction made which would compromise in the least particular the personal dignity of an official, or that would place a restraint upon the employee not demanded by the best interests of the public service. The opposition to the enforcement of these regulations was, in my opinion, not from a disposition on the part of any official to avoid the performance of duty, but simply from the fact that the habits of the objector, formed among the associations of a people who, from their infancy, were accustomed to freedom from all restraint, were such that he rebelled at the very suggestion of a master, however appointed. This peculiarity of our people was noticeable, not only in the civil service, but in the volunteer military organizations of the Confederacy. To command was so much a habit that it became the nature of our people, and it was most repugnant of all things to this nature to be commanded. Obedience to law as an abstract virtue, might have been, and was, frequently eulogized by those spirits who were ready to defy the constituted authority of the law at the least provocation. Hence, the Confederate army was once styled by a foreign officer, serving with General Stuart's cavalry, "*a grand assembly of officers.*"

Once having announced his regulations to the subordinates of his department, Mr. Memminger not only conformed his official life to them but also was inflexible in their enforcement. No political or social influence could save a negligent or recalcitrant official. This was made manifest, and with emphasis, in the case of a gentleman from Virginia, who held a clerkship in the Secretary's office. Shortly after the announcement of the Secretary's rules this gentleman gave expression to his criticism in a communication to a Richmond newspaper, in which he very imprudently, but, as I believe, not willfully, made public certain business transactions of the department. As soon as the name of the offending clerk was ascertained he was at once notified that his services were no longer required. In vain did repentant requests and the appeals of influential friends reach the Secretary or importune the intervention of the President.

It is by no means a necessary inference, that in the routine of our official duties we were denied the pleasures of such social interchange as always must serve to make the spice of what might otherwise become an insipid and prosy life. On the contrary, there were times when our social contact brought out the finest expressions of wit and a fund

of good humor which I often recall with the greatest pleasure. It seldom ever occurs that so large a number of men, having the accomplishments of thorough classical educations, and natural gifts far above the average, are drawn together in the discharge of duties that would appear to the uninformed prosaic and mechanical.

It will be readily perceived by the reader who has thus far followed me that as the Confederate government crystallized I was of necessity brought in contact with the Cabinet officers, and those placed in charge of the several subordinate divisions of the departments, in such a manner as to have a knowledge of each, whose wants, to a certain extent, it was my duty and my pleasure to meet. The Treasury Department was organized and some of its branches actively at work before all of the members of the Cabinet were appointed and installed. Mr. Memminger, with his characteristic urbanity, extended through his executive officer such courtesies as the circumstances investing these would readily suggest. It was in this way that I had the pleasure of meeting with these distinguished gentlemen, who were to direct the several departments of the government. When it is remembered that their offices were at the outset in the same building, and that this structure was of such ordinary dimensions as its original commercial character would indicate, the reader can understand that there were in this formative period of administration but few barriers, other than a sense of propriety would suggest, surrounding the official dignity of the several executive offices.

On the 26th of May, 1861, in obedience to an act of the Provisional Congress providing for the removal of the seat of government from Montgomery, Ala., to Richmond, Va., orders were issued for a suspension of work in the several departments and every one put to packing up records, office furniture, etcetera, and away to "the Mother of States and Statesmen" we sped our way as fast as the special railway trains could take us. The preamble to the act of Congress changing the seat of government, stated that "*the exigencies of the public service*" rendered this move necessary in the judgment of Congress. This may have been the case, and possibly it was a necessity in the opinion of a majority of our statesmen, but it was only so with a majority. There was a respectable minority in Congress who thought that his experiences eminently qualified the President to assume command of the armies of the Confederate States in person, and desired that he should do so, making Richmond his headquarters, while the capital of the Confederacy should remain permanently at Montgomery, with Vice-President Stephens in charge of the government.

The secession of Virginia at once made her territory the battlefield of a struggle which was no longer problematic, either as to its spirit or magnitude. To support the gallant people who recognized their allegiance to the State superior to that of a conditional fealty they had in no ambiguous terms expressed when they entered the federal compact of association; to meet the armies being organized rapidly to invade the territory of the mother of sovereign States who, in the deliberate act of secession, stood with drawn sword and "*shield before her heart to fight with heart more proof than shield*" in the defense of the great principles upon which, with her children, she had acted, was the leading, the paramount and sufficient reason for this change of the seat of government. There were regrets sincerely felt and warmly expressed by the officers of the government at leaving the beautiful city where a characteristic hospitality had been so generously and elegantly dispensed.

Montgomery had, from the early history of the place, been the home of culture and a true type of Southern social life. No place in all of Dixie could have been selected as a capital for the Confederacy that was more thoroughly typical, more perfectly

representative of the genius of our civilization. The social amenities of the good people had captured especially the large number of gentle men who came into our service from the army and the navy of the United States, and those who, in department service at Washington City, had found the social temperature much lower among the snow-drifts of a more northern latitude. Among these there was certainly a murmur of dissatisfaction at the order taking them from Montgomery.

At Richmond superior facilities were found for the conduct of the business of the several departments of the government. But a short time had elapsed since the United States government had completed a very handsome and commodious fireproof building, used as a customhouse and post-office. The vaults and offices of the first floor of this building were appropriated by the Secretary of the Treasury, while the President and Secretary of State found elegant and convenient offices in the story above. The War and Navy Departments were located in a capacious building on Ninth Street nearby, while Postmaster-General Reagan was established in very comfortable quarters at the corner of Bank and Twelfth streets. When Virginia withdrew from the Federal Union, Richmond was not only the capital of a great State, but for years had been a metropolis whose traffic extended through all the great avenues of commerce. The leading tobacco market in America, it was also conducting a very large export business in flour and grain, while its foundries, many workshops and factories made it among the prominent manufacturing cities of the Atlantic seaboard.

At the wharves could have been seen the flags of all nationalities floating from the masts of vessels whose tonnage ranged from the famous clipper and ocean steamship to the schooner and sloop of the inland and coast trade. Main and Gary streets, from the "Rocketts" to the famous basin of the James river canal, a distance of at least one mile, was a busy scene from morn to night of all that makes the active life of the merchant or the manufacturer. As distinct from all this as the picturesque falls of the James river from the bay to whose bosom it carried the treasures of hill and dale, was all that part of the city about the beautiful park that surrounded the Grecian capitol building, both as to the character of the occupation in which the people were engaged, and the social characteristics of the people themselves. While the genius of commerce presided over the valley, the favorite resting places of science, literature and art was among the shaded walks of the grand old park, in the alcoves of the great State library, or among the more secluded retreats furnished by the club rooms or the snug offices and elegant homes of men whose culture and goodness had been transmitted from the early colonial days, with the treasure of a history and the lore of traditions unequalled, save in England or in France. This spirit rested upon the whole city in these golden days; it made every man and woman who dwelt there, whether white or black, bond or free, rich or poor, more or less a gentleman or a gentle lady.

A Virginia gentleman of the old school may not have been produced alone in Richmond. Far be it from me to locate the virtues of the old Commonwealth exclusively at this place, but I do say that they were to be found in this glorious old city in 1861, in the fullest expressions of the highest type of civilization America has ever seen. I do not know how it is today in the "City by the James." Many of the noble men and women who illustrated the period of which I am writing have left the weal of the Old Dominion into other hands, have passed over the dark river and are "*resting in the shade of the trees*", in a lovelier park than Richmond can ever have; but, far above material considerations, a thousand times greater than all the wealth destroyed by the war. In later days, as I have seen the easy grace and simplicity, the ingenuous frankness, the

sincere amenities and uncalculating generosity of our people farther south, corrupted by the material spirit and boorish manners of those who have come among us to fatten on misfortune and to purchase preferment as they would the meat of the markets, I have wondered how it was in the metropolitan cities of the South: if the sore of the Eastern Shore and the rice bird of our Southern sea board, the Madeira of Charleston, the Sherry of Richmond and the rice of the Wacamaw still produce the men and women of yore.

Unprepossessing in appearance, uncertain in the promise they expressed, with no surer guarantee than the courage of a brave people, and no more substantial basis to rest upon than the confidence of a devoted patriotism, Confederate treasury notes, like the old continental bills of 1780, were, with the money changers, considered at best but the expressions of a metaphysical faith. Not so with our good people throughout all of the Confederacy. It was their money; the representative of the highest value they chose to recognize; the success of a cause for which they were struggling, and for which all material considerations were pledged and freely offered.

It may not be generally known, but it is nevertheless a fact, that Confederate money was at par with gold and foreign exchanges in several seaports of the Confederacy for at least a month after its first appearance. As late as the first of August, 1861, it was at only 8% discount for gold in Richmond, and at par in New Orleans, Mobile and Charleston. This may not have been through the operation of any legitimate principles of political economy I will not undertake to say it was but rather a result brought about by the financiering skill of Mr. Memminger, and the patriotic co-operation of the leading bankers in these commercial centers. At any rate, several large bills of exchange on London and Paris were bought by our agents at each of the cities named above and were paid for at par with our homemade money. As far as the government of France was concerned, the exchange was within the rule of values as these are fixed in the purchasing power of money. This government, making a monopoly of tobacco in its domain, could purchase as much with a Confederate dollar from our agents in Richmond as with an *assignat* or a gold dollar, so that until this commodity was virtually made contraband of war by the Federal blockade of the James river, we were enabled with our treasury notes to increase very largely our gold credits. With our ports closed, and having no means of maintaining an uninterrupted foreign commerce, the golden period of Confederate finance was, of course, limited.

First one and then another of the few banks that had aided us suspended payment of coin, until finally, when the month of August 1861 arrived, the Canal and the Citizens Banks of New Orleans were the only ones receiving Confederate money on deposit and paying it out at par with gold. Among the first official duties that engaged my thought on reaching Richmond, in the early days of June, was to execute the order of my chief for the establishment of a Bureau of Engraving and Printing in connection with the Treasury Department. As stated in a preceding chapter, the resources of the cotton-producing region, in which we were first established, were so exclusively agricultural that skilled engravers, either on wood, stone or metals, were not to be found. The loss of the treasury notes, engraved and printed through the kindness of Mr. G. B. Lamar, by the American Bank-Note Company of New York, necessitated that we should become our own printers, and not rely upon the contingencies of running through the blockaded ports notes that possibly may have been much better executed in Europe. After much inquiry I found a clever German resident in Richmond who was engaged in a small way in the business of lithographing, but who had as yet essayed no better class of work than the cards and posters of business men. The discovery was a great relief to me, and a

matter of much congratulation with the Secretary, especially as it was ascertained that Mr. Hoyer could induce the necessary assistants to come to his aid from Baltimore.

In a few days thereafter the firm of Hoyer & Ludwig had been established in convenient rooms on Main street, and were at work under special contract with the Confederate States to engrave and print the treasury notes, their establishment being under such regulations and surveillance as was deemed necessary by the Secretary of the Treasury. After many experimental trials, the first approved proof sheet of 800 dollars bills was taken in to the Secretary for his inspection. While there were defects, palpable to even a superficial criticism, yet these, under the circumstances, were not deemed great enough to condemn the work. The demand for our promises to pay was imperative. To wait under these circumstances until another stone could be engraved, without the assurance that the work would "*be more satisfactory, was more than the Secretary's patience could stand. In approving this first proof-sheet, now in my possession, Mr. Memminger wrote on its back these words: "When the money changers become more familiar with the peculiar features of these uncanny bills, it will be as difficult to pass a counterfeit as if they had been engraved on steel by an expert; may be more so."* At once the presses in Hoyer & Ludwig's establishment were put to work, using at first bank-note paper brought from Baltimore by our special agents, who were so expert in passing the Federal picket lines that they kept us supplied not only with bank-note paper, but with the daily newspapers from all the northeastern cities. The Herald, published in New York in the morning, I had on my desk in Richmond the next morning, not for a day or so, but for weeks at a time.

Mr. Thompson Allan, of Georgia, was placed in charge of the Bureau of Engraving and Printing, under whose careful supervision it remained until removed to Columbia, South Carolina, in 1863. The first issues were of 100, 50, 20, and 10 dollar notes. As the printing had to be done entirely by hand, and the impression taken from more than one stone, the "money-mill", as the bureau was facetiously called, was very slow in furnishing the desired notes. It was manifest at the outset that it would be impossible for the Treasurer and Register each to sign the immense number of bills that would soon be waiting their autographs before being numbered and made ready for issue. To meet this difficulty such of the gentlemen in the department who were rapid in the use of a pen, and whose signatures were the most unique, were specially detailed and placed in charge of Mr. John Ott, representing the Treasurer, and Mr. J.C. Thayer, representing the Register. It was not long before the clerks under these gentlemen, signing, numbering, assorting, counting, and verifying "Confederate money", were as numerous, and, the feminine division of them, far more interesting than in any other branch of the public service.

From the small beginnings at Montgomery, the Treasury Department had assumed proportions far beyond all expectations. From the unfurnished room I had entered at Montgomery, the day after the inauguration of President Davis, the office of the Secretary of the Treasury at Richmond had become a great center to which many subordinates were reporting daily, and to which came in person or by letters the bankers and businessmen of the whole South. To meet promptly the responsibilities of his position and to dispatch the routine business growing more voluminous each day, Mr. Memminger adopted at an early day a systematic order of arrangement to which he adhered, placing on duty in charge of divisions gentlemen whose willing spirits and efficient service greatly aided him. Mr. Thompson Allan was transferred from the Bureau of Engraving and Printing and placed in charge of the Tithing or Tax Bureau,

while Mr. J.C. Thayer and James Simons, of Charleston, were placed in charge of the Treasury Note Bureau. To the Cotton-Tax Office was assigned Mr. A. Roan. These gentlemen brought to the discharge of their duties the careful attention of experienced business men, and were of great service in relieving Mr. Memminger of the anxiety he had with regard to the rapid and efficient discharge of the duties entrusted to them.

The clerks of the departments were now numbered by hundreds, and more than one building besides the Customhouse was necessary for the conduct of their business of the several bureaus of the department. Whatever may have been the reasoning that influenced Congress to provide at the outset for a loan of only 15 millions of dollars, as being sufficient for the wants of the Confederacy, it became apparent after the inauguration of Mr. Lincoln as President of the USA, that a much larger amount would be needed to meet the exigencies of a war whose magnitude the most sagacious could not foresee. Accordingly another loan, known as the "100 million loan", was authorized by an act of the Confederate Congress, called the "War Tax Act." Some idea may be formed of the demands made on the Treasury, when reference is made to the reports of Secretary Memminger appended to this volume. The expenditures of the government in its several departments had reached, on the 20th of November 1861, eight months from the inauguration of Mr. Davis over seventy millions of dollars; on the 14th of March, 1862, to over 160 millions, and on the 10th of January, 1863, to over 440 millions.

To provide for these enormous requisitions Mr. Memminger had his financial abilities taxed, as but few, if any ministers have ever had. The difficulties surrounding him have, to a certain extent, been referred to. The reader who will examine his reports with care, finds these difficulties clearly stated in his own language, but he can scarcely realize how embarrassing to the Secretary was the absence of the necessary machinery to execute his plans or to provide the bonds and the treasury notes authorized by his government. These annoying details, once arranged, then came the further tax upon his mind of preserving the credit of the government in the midst of a war which was constantly increasing in its proportions, and was exhausting, day after day, the resources of the Confederacy.

In order that the reader may have a clear idea of the financial system adopted by the Confederate government, I deem it advisable to give a brief history of the same, which, in connection with the Secretary's reports, will show the plan adopted to meet the enormous expenses incident to a great war; and also to maintain the credit of a Confederacy seeking to secure a place among the nations of the world. The sources of income to all governments are either in the revenues from custom duties or that derived from direct taxation. Having no adequate revenue from duties on imports or exports, and the proceeds to be derived from a direct tax being wholly insufficient to meet the expenses of a war, resort was had to loans and treasury notes. The first of these loans was for fifteen millions of dollars, to run for ten years, and bearing an interest of 8%, secured by an export duty of one-eighth of a cent per pound on cotton. At the same time that this loan was authorized an issue of one million dollars in treasury notes was provided for, made payable in one year, and bearing interest at the rate of 3.65%. This first loan was successfully negotiated, at par with specie, and was taken chiefly by the banks and commercial houses of the Southern cities. As the war enlarged its proportions a demand for much larger sums was made, and necessitated another issue of twenty million dollars in treasury notes and another loan of thirty million dollars in 8% bonds. The act of Congress authorizing this issue of treasury notes, was passed 16th May, 1861. The holder of these notes had the right to fund them at pleasure in 8% bonds. The

certainty of a long war being evident, and its dimensions having greatly increased, another loan was provided for by act of Congress, in August, 1861.

This loan was for 100 millions of dollars, and the issue of treasury notes was extended to 100 millions, convertible, as before, into 8% bonds. In order to provide still further against a redundant currency, it was provided that the holder of these treasury notes might exchange them for bonds payable in 10 years and bearing 7% interest. To secure the payment of the bonds, principal and interest, a war tax of 0,5% interest, was imposed upon the chief articles of property in the Confederacy. It was at this time, August, 1861, that in compliance with the recommendation of the Secretary, treasury notes were made receivable for the war tax and for all public dues except the export duty on cotton. On December 24th, 1861, a further issue of 50 million dollars in treasury notes was authorized. Thus it will be seen, that as the exigencies of the war increased the issue of treasury notes were rendered necessary, and the debt of the government greatly increased. To preserve the value of these notes as a currency, it was apparent to the Secretary that provision must be made for funding them in bonds bearing a reasonable interest, and maturing at a long time in the future. In discussing the several plans for raising money to meet the expenses of the government, Mr. Memminger, in his "Report to Congress, March 14th, 1862", thus refers to treasury notes:

"Experience has also established that this is the most dangerous of all the methods for raising money. The danger arises from the fact that, borrowing money in this form, the government interferes with the measures of values. The amount of currency usually circulating in a country forms its measure of value. While this consists of gold and silver, it cannot become redundant, because any excess would be immediately exported to other countries. But when a currency has no value, except in one country, this security against excess is lost and every addition becomes permanent circulation. Every money value must re adjust itself to this increase, and the result is that to obtain a comparatively small amount of money, the values of the entire property of a community are changed. The government, in time of war, becomes the greatest sufferer. Being the largest purchaser of commodities, it buys at the inflated prices, which it has itself produced, and loses more in its payments than the amount it has attempted to raise by its currency. The relations of debtor and creditor are disturbed by every successive issue, and the result is a prostration of public credit and private confidence. The facility with which a government paper currency may be issued offers strong temptations to resort to it at difficult times. But the disastrous consequences that have always attended its over-issue, warn us to mark with the greatest care the boundaries within which it should be confined."

An aversion to internal taxation was manifested so decidedly among the people that when Congress assembled in February, 1862, it was discovered that the enforcement of the tax laws, enacted at a previous session, had to a large extent proven a failure. The Secretary of the Treasury again presented this matter to the attention of Congress, urging the necessity of the enforcement of the collection of the taxes, and also recommending another mode of taxation in the nature of the old tithing system, levying a percent, upon all products needed for the supply of the army. This was subsequently known as the "Tax in Kind." He recommended still another expedient to reduce the volume of the currency by dispensing with the use of treasury notes as much as possible in the purchase of produce, and using bonds in exchange for all articles needed as supplies for the government. This was known as the "Produce Loan." Every effort to induce the holders of treasury notes to fund them in the bonds of the government was made, and

every legitimate device used by the Secretary to dispense with their use in meeting the expenses of the government, but with only partial success. In the meanwhile the exigencies of the war permitted no delay. Money of some kind must be had. So it was that the increase in the issue of treasury notes continued, until on the first of January, 1863, the currency in circulation amounted to over 600 millions of dollars, or to more than three times the actual amount needed for the business of the country.

The effect of this great redundancy in the currency on the general business interests of the country and the proper remedy for it, is all clearly set forth in the report of Mr. Memminger and his recommendation to Congress of January 10, 1863. To remedy the evil, the Secretary suggested that a period of limitation for the funding of treasury notes should be fixed, and after the lapse of this time, all treasury notes issued prior to December 1, 1862, should cease to be currency. This plan, if it had been successfully executed, would have forced the funding of a large portion of the currency, quite sufficient to have reduced it, in the opinion of the Secretary, to 150 millions of dollars, which he considered the extreme limit required by the business wants of the country. To secure the prompt payment of the interest and principal of the bonds in which the holders of treasury notes were required to invest, the Secretary called for an ample and permanent tax which he states is the "*cornerstone of the whole fabric and without it the scheme has no foundation, and secures neither public confidence nor success.*"

It was just at this vital point in the whole system, as recommended by the Secretary, that Congress disagreed with him. Influenced more by a popular clamor against the imposition of taxes than by the financial logic of the Secretary, Congress failed to provide such means for collecting the tax, urged by the Secretary, as were effective. Under the provisions of the Constitution the amount required to be raised by taxation was to be divided among the several States, and a pro-rata assessment made upon each, to be paid to the general government by the Governors when collected by the officers of the States. So much opposed to taxation were the people that of the assessments made, only three States South Carolina, Mississippi and Texas collected the tax from the people in Confederate notes; the other States paying theirs in State treasury notes, and thus really increasing, instead of diminishing, the general public debt. In his report to Congress, December 7, 1863, Mr. Memminger again called the attention of Congress to the necessity of reducing the currency, and again urged the necessity of a tax to assure the payment of the interest on the bonds in which the treasury notes were to be funded. The delay and uncertainty of returns from the tax act of February, 1863, left the Secretary no resource but to continue the issue of treasury notes to meet the constantly increasing demands of the government and to sustain them as far as possible by funding them in bonds.

Referring to the "*only legitimate source of supply, taxes and loans*" the Secretary clearly shows that taxes alone have never been able to sustain a nation engaged in a great war; that loans are necessary; but in order to maintain the credit on which these loans rest, a tax must be levied sufficient to meet the interest of the loan "*in specie or its equivalent, whenever this interest becomes due.*" In accord with the recommendations made in his report of February 17th, 1864, Congress passed an act authorizing the reduction of the currency and a new issue of bonds and treasury notes. All treasury notes, not bearing interest and above the denomination of 5 dollars, were made fundable in registered bonds bearing 4% interest, and maturing in 20 years. These notes were to be offered in six months or thereafter and not to be received as currency. A new issue of notes was authorized, made receivable for all public dues, except customs, at the rate of

two dollars for three of the old issue.

This new issue, intended to absorb all other issues of treasury notes, was limited to 200 millions of dollars, and the faith of the government was pledged not to increase it or make any other issue of treasury notes. To meet the expenses of the government an issue of 500 millions of 6% bonds was authorized, and for the payment of the interest all import and export duties, payable in specie, was pledged. The provisions of the act of Congress appears to have had the effect desired, of bringing the currency within the limit fixed by the Secretary, as necessary to adjust it to a normal standard of values. Referring to the effect of this act, in his report of May 2, 1864, the Secretary says: "*The financial measures adopted at the last session of Congress have given the country a new starting point. The currency is once more brought within bounds and it is most earnestly urged upon Congress to so fence around those bounds that they cannot be passed. This can only be done by a careful revision of every appropriation, and by admitting only such as are absolutely necessary; by a steady refusal to increase the volume of the currency, and by providing sufficient other means to meet the appropriations which shall be made.*"

The "*sufficient other mean*" the Secretary found in taxation the "*foundation of all sources of supply*", as he goes on elaborately to show, in his last report and recommendation to Congress. There can be no doubt but that the plans of the Secretary were wise, and that the expedients he resorted to were, under the circumstances, the best possible means he could employ to keep the currency of the Confederate States in a proper relation to the universally recognized standard of values and to the legitimate business wants of the country. But what could he or anyone else, however wise, have done to prevent the depreciation of a paper currency, unsupported by the foundation upon which rests all credit; a certain and permanent income in specie, or its equivalent, adequate to pay with promptness the interest of the debt, and also to provide for a sinking fund that would in time discharge the principal?

Notwithstanding the Secretary had urged upon Congress the necessity of providing this fund by the imposition of a tax on all property and on incomes, his recommendations were not acted upon in the manner desired by him. Provision was made for consolidating the debt and for reducing the volume of the currency to the limit desired, but after a protracted discussion Congress again declined to make the money taxes payable alone in treasury notes, as urged by the Secretary, but allowed the tax-payers to pay their taxes in 4% bonds, or certificates, in which the notes had been previously funded. Thus it was that the only certain means of keeping the currency within the limit prescribed in the act was defeated by its own provisions. Referring to this in his report to Congress, May 2, 1864, the Secretary says: "*Payment into the Treasury of treasury notes is a necessary instrument to their proper circulation. Without the aid of such an instrument the currency of the notes depends entirely upon consent. They are deprived of one of the essential elements of value namely, general demand.*"

After demonstrating the necessity for making the taxes payable in treasury notes, the Secretary makes an argument clearly showing the provisions of the tax act of Congress to be inadequate to meet the objects he had in view when recommended by him in a previous report. He shows the system of taxation adopted to be "*so cumbersome and intricate that delay and disappointment will be its inevitable result.*" He urges that another tax bill be framed providing "*a simple tax on property and on incomes*" and the repeal of the following provisions in the objectionable act:

1. That which allows the value of the tax, in kind, to be deducted from the tax of 5% on

agricultural property.

2. That which repeals the income tax on incomes derived from property taxed as capital.
3. That which discriminates as to the date at which assessments are to be made.

No argument could be made clearer or more convincing than that to be found in the Secretary's report urging the repeal of this tax act and the adoption of another to meet the demands of the government and to support its credit. Instead of aiding him to keep the currency within the limit prescribed, the act was in itself an inseparable barrier to the accomplishment of this object as long, as it permitted taxes to be paid with certificates, in which the currency had been funded. To use the language of the Secretary, "*This provision of the tax bill, instead of reducing the volume of the currency, maintains its redundancy, if it does not in reality increase it. It makes the whole funding system a mere sham, and gives to unmatured bonds the functions of treasury notes.*"

Nevertheless, the urgent recommendations of the Secretary were not acted upon as he desired. The majority in Congress appear to have been seeking more to maintain their popularity with an uninformed constituency by yielding to a demand for more money than to conform their legislation to well-established principles of finance. Failing again to secure such a system of taxation as in his judgment was essential to protect the credit of the government, discovering that his recommendations were either ignored, or when acted upon were so changed as to be wholly inadequate to accomplish the ends desired, Mr. Memminger withdrew from what he knew to be a hopeless task, and resigned the burdens of a thankless office.

While it is not my purpose to enter into an argument with the object in view of vindicating Mr. Memminger from charges made by some that his want of sagacity and proper administrative ability caused the unnecessary depreciation of Confederate securities, or failed to provide a credit in Europe, which was either offered or that could have been secured by his action, the legislation of the Confederate Congress and Mr. Memminger's reports to that body are his own proper and complete vindication.

It is proper, however, for me to call attention to the fact that Mr. Memminger was but an executive officer. At no time was he given an unlimited authority to act as his judgment alone would dictate in the management of the Confederate finances, either at home or abroad. On the contrary, he was never more than an officer executing the will of Congress. It is true that he had the right to appear before that body and advocate his recommendations, and to suggest such enactments as in his judgment were necessary, but beyond this he could not go. The financial legislation of Congress was, in the most vital points, opposed to his judgment and contrary to his often-repeated and strongly-urged recommendations.

So embarrassing to the Secretary was this disagreement with the law-making power, that on more than one occasion he made this the reason, in communications to the President, why he desired to retire from the thankless task of attempting to execute what were to him financial absurdities or impossibilities. Carlisle says that "*the opinion of one man who sees a thing is worth more than that of a million who do not see it.*" Well would it have been for the Confederate cause if the Congress had simply followed the sound and carefully digested financial plans of the Secretary, instead of forcing on the country a policy, if such it may be called, which was a jumble, resulting from confusion of ideas, and at best but a compromise between opposing factions.

In this connection I present the reply of Mr. Memminger to certain strictures made on his administration by General Joseph E. Johnston, and the comments of a contributor to the Charleston Courier, who is supposed to have been Mr. Trenholm. The substance of

General Johnston's charge is that the failure of the Confederate cause was due to the failure of its finances; that the government failed to adopt the true financial policy which was easy enough to see and "*generally understood in the country!*" Having made this very remarkable charge the General proceeds to unfold his plan as follows.

The government was organized in February, and he states that the blockade of the Southern ports, though proclaimed in May, was not made "effective" until the end of the following winter a period of twelve months in which "*it would have been easy*" to ship and to convert into money four or five million bales of cotton, etc. It must certainly surprise the reader when he looks into this grave proposition that the four or five million bales of cotton had no existence except in the fancy of the General. The total crop of 1860-61 was officially reported at 3,849,000 bales. Of this 3,000,000 bales had been exported up to February, the month when the Confederate government was organized; and 600,000 bales in the hands of the New England spinners, the seed for the next crop (1861- 62) not being yet in the ground. It is needless to examine into the merits of this scheme any further. Granting that the cotton did exist in the Southern States, it would have been impossible, as Mr. Memminger clearly shows, to have shipped any large quantity of it. So that the whole charge of failure of the financial policy by General Johnston resolves itself into a fleet of phantom ships loaded with phantom cotton. This singular charge has only been noticed on account of the high source from which it emanates, and because of the currency which the idea has obtained among a class of critics. The following answer to General Johnston's criticism appeared in the Charleston Courier, March 28, 1874:

CHARLESTON, March 27, 1874.

To the Editor of the News and Courier:

"I observe by your paper of yesterday, which extracts a passage from General Johnston's book, that he follows the ancient example of our forefather Adam, in casting the fault of a general calamity on some other person. He attributes the failure of the Southern Confederacy to the blunder of the government, at its first institution, in not possessing itself of the cotton crop then in the hands of the planters. This cotton (according to the General) should have been shipped in anticipation of the blockade, and it would then have furnished a basis for future credit. As I was at that time in charge of the Treasury Department, the responsibility of this failure would rest chiefly on me; and you will therefore not consider it out of place that I should correct misapprehensions which seem to have misled yourself as well as General Johnston. The Confederate government was organized in February, the blockade was instituted in May, thus leaving a period of three months in which the whole cotton crop on hand, say four millions of bales, ought, according to the military financier, to have been got into the hands of the Confederate government, and to have been shipped abroad. This would have required a fleet of 4,000 ships, allowing 1,000 bales to the ship. Where would these vessels have been procured in the face of the notification of the blockade? And was not as much of the cotton shipped by private enterprise as could have been shipped by the government? When so shipped, the proceeds of the sale were in most cases sold to the government in the shape of bills of exchange. The superior advantage of this plan is evinced by the fact that, throughout the year, the government exchanged its own notes for bills on England at par, with which it paid for all its arms and munitions of war. Of course this vast amount of cotton could only have been procured in one of three ways by

seizure, by purchase or by donation. Certainly no one, at the first inception of the Confederacy, would have ventured to propose to seize upon the crop then in the hands of the planters, and which furnished their only means of subsistence. Could it not, then, have been purchased?

At the commencement of the government the Treasury had not funds to pay for the table on which the Secretary was writing; and the first purchases of the government made abroad were made on the private draft of the Secretary. There was not to be found, in the whole Confederacy, a sheet of bank-note paper on which to print a note. Forecasting this need, the Secretary had ordered from England a consignment of note paper and lithographic materials, the vessel containing which was captured on the high seas; and many of the friends of the late Colonel Evans, of our city, will remember that he nearly lost his life in the attempt to bring across the lines a single parcel of note paper. It is within the memory of the printers of these notes, that months elapsed before bonds or notes could be engraved and printed; and these constituted our entire currency. How, then, was the cotton to be paid for?

And when the mechanical difficulties were overcome, the financial presented an equal barrier. The scheme for raising money, adopted by Congress, was to issue Confederate notes, funding the redundant notes in interest-bearing bonds; and all payments at the treasury were made with these notes. The daily demands on the Treasury exceeded greatly the means of supply. Now, if instead of applying the notes to the daily payments required at the Treasury they had been used to purchase cotton, the Treasury would have found itself filled with cotton, without any money to meet the wants of the government until that cotton could be shipped abroad and sold. If instead of payment in notes the bonds of the government had been used to purchase the cotton crop, those bonds would have been thrown in the market to meet the necessities of the planters, and their value as a means of funding the surplus currency would have been destroyed. It is obvious to anyone acquainted with finance that this would have broken down the Confederate currency within the first year of its existence, whereas the plan pursued sustained the credit of the Confederacy until broken down under calamities by which no credit could survive.

The only remaining mode in which the cotton could have been procured by the government was by donation from the planters. So far was this donation from being possible that the Treasury actually had to issue a circular in response to applications to the government for aid to the planters in making loans to them, and not a bale of the crop of that year was contributed to the government. An effort was made to get pledges of the next year's crop in exchange for bonds of the government. To accomplish this it was deemed necessary to allow the planters to get their own price through their own factors without allowing the government to fix its price, and the whole amount thus pledged did not reach fifty millions, or about two months expenses of the government, of which perhaps one-third was never received.

Every one conversant with the politics of the day knows that it was the current expectation that the blockade could not be continued for a year. The Confederate Congress was so informed when they adopted the international agreement as to privateers. The government of the United States equally supposed that the war would be of short duration, as is apparent from President Lincoln's proclamation calling for troops for ninety days. There could therefore be no motive to induce the Confederate government to store up cotton as a basis of credit. When it became apparent that the blockade and the war would continue the government then made arrangements for using

cotton as the basis of a loan; and the large foreign cotton loan negotiated in Europe by Messrs. Erlanger furnished abundant resources to the government for its supplies from abroad. But even to the last its power over the crop was restricted by the large quantities held in private hands which could not be purchased at all. At no time that I am aware of was it in the power of the government to get possession of the cotton crop, unless it had seized the same by force, and by the same force compelled payment in a depreciated currency; a high-handed course which could never receive the sanction of the statesmen who administered our government. The only approximation to it was in the shape of a tax in kind when the currency failed to command supplies, and which was made as just and equal as any other tax.

The truth is, that if General Johnston's recollections of history were as vivid as his knowledge of military tactics is great, instead of censuring the financial administration of the Confederate government, he would have discovered no instance on record where a war of such dimensions, in a constantly decreasing territory, has been sustained for four years by mere financial expedients, without the aid usually derived from taxes for in the whole Confederate war but one general war tax was levied, and a great portion of that was never collected".

C. G. MEMMINGER.

I append, as part of the history of the times, one of the circulars of the Treasury Department on this subject.

CONFEDERATE STATES OF AMERICA, TREASURY DEPARTMENT, RICHMOND, October 15, 1861.

The Commissioners Appointed to receive Subscriptions to the Produce Loan:

"GENTLEMEN, Inquiries have been made from various quarters

- 1. Whether during the continuance of the blockade, effort should be made to procure further subscriptions.*
- 2. Whether the government will authorize promises to be held out of aid to the planters, as an inducement to such for further subscriptions.*

The first inquiry seems to imply a misunderstanding of the scheme of the subscriptions. Many persons have supposed that the government was to have some control of the produce itself; others that the time of sale appointed by the subscription were to be absolute and unconditional. The caption at the head of the lists, when examined, will correct both these errors. The subscription is confined to the proceeds of sales, and contains an order on the commission merchant or factor of the planter to pay over to the treasurer the amount subscribed, in exchange for Confederate bonds. The transaction is simply an agreement by the planter to lend the government so much money; and, in order to complete the transaction, a time and place are appointed when and where the parties may meet to carry it out. The important point is, that it shall certainly be completed at some time, and that is secured by the engagement of the planter. Whether that time be December or June is simply a question of convenience, and works no injury to either party. The government is sure of the eventual payment, and derives from that certainty so much credit; and it loses nothing, because it gives its bond only when the money is paid. It is obvious, therefore, that the subscriptions are quite as valuable to the government during the blockade as after it. The blockade simply suspends the

completion of the engagement. It becomes the interest of both parties to wait for a good price, and the government will readily consent to a postponement of the sale.

1. You perceive, therefore, that it is desirable to continue your exertions to increase the subscriptions, and you are authorized to say that the government will consent to a reasonable extension of the time appointed for sales.
2. The next inquiry is as to a promise of material aid from the government to the planters.

In answering this inquiry I am to speak in advance of any action of Congress. What that body may see fit to do, it is not for me to determine. I can express merely the views of this department, and these must govern your action until reversed by a higher authority. It would be a sufficient answer to the inquiry to say that the action of the government is settled by the Constitution. No power is granted to any department to lend money for the relief of any interest.

Even the power of Congress in relation to money is confined to borrowing, and no clause can be found which would sanction so stupendous a scheme as purchasing the entire crop with a view to aid its owners. But it may be said that the Constitution of the Provisional government may be altered by Congress, and that it is the duty of this department to prepare the way for such alteration, if in its judgment the financial necessities of the country demand the change. I am not disposed, then, to close the inquiry with the abrupt answer thus made by the Constitution, and will proceed to consider the subject upon its intrinsic merits. Two plans of relief have been proposed. The one is that the government should purchase the entire crop of the country; the other that an advance should be made of part of its value. In either case the payment is to be made by the issue of treasury notes, and, therefore, if we put aside for the present the many and serious objections to the possession, transportation and management of the crop by the government, it becomes simply a question of amount.

To purchase the whole crop would require its whole value, less the amount of the subscriptions made to the government. If we estimate the whole crop of cotton at 200 millions and the subscriptions at 50 millions, the purchase would then require 150 millions of treasury notes, and, if to this sum be added the amount of values for other agricultural products, which would certainly claim the same benefit, the sum required would probably reach one 175 millions. The amount called for by the other plan of making an advance would depend upon the proportion of that advance. Few of the advocates of this plan have put it lower than five cents per pound on cotton, and at the same rate on other produce. It may, therefore, be very fairly set down at about one 100 millions.

If we consider first, the least objectionable of these plans, it is certainly that which requires the smallest sum; and if this be found impracticable, the larger must of necessity be rejected. Our inquiry, then, may be narrowed down to a proposal that the government should issue 100 millions of treasury notes, to be distributed among the planting community upon the pledge of the forthcoming crop. The first remarkable feature in this scheme is that it proposes that a new government, yet struggling for existence, should reject all the lessons of experience and undertake that which no government, however long established, has yet succeeded in effecting. The "organization of labor" has called forth many ingenious attempts, both speculative and practical, among well-established governments, but always with disastrous failure.

With us, however, the experiment is proposed to a new government, which is engaged in a gigantic war, and which must rely on credit to furnish means to carry on that war.

Our enemies are in possession of all the munitions and workshops which have been collected during forty-five years of peace, their fleets have been built up at our joint expense. With all these on hand, they yet are obliged to expend nearly 10 millions of dollars per week to carry on the war. Can we expect to contend with them at less than half that expenditure? Supposing that it may require 200 millions of dollars; then the proposal is that at a time when we are called upon to raise this large sum for the support of the government, we shall raise a further sum of 100 millions for the benefit of the planting interest.

For it must be observed, first, that the government receives no benefit whatever from this advance. The money is paid to each individual planter, and in exchange the government receives only his bond or note or, if the cotton be purchased, the government receives only certain bales of cotton. That is to say, the government pays out money which is needful to its very existence, and receives in exchange planters notes or produce, which it does not need and cannot in any way make use of. It must be observed, in the next place, that treasury notes have now become the currency of the country. They are, therefore, at present the measures of value. In this view it is the duty of the government to limit their issue, as far as practicable, to that amount which is the limit of its currency. Every person acquainted with this branch of political science, is aware that if the currency passes this point it not only becomes depreciated, but it disturbs the just relations of society precisely as though an arbitrary authority should change the weights and measures of the country.

If the currency of a country should be suddenly extended from one 100 to 200 millions of dollars, that which was measured by one dollar is now measured by two, and every article must be rated at twice its former price. Of course all contracts are disturbed. The debt incurred before the increase is discharged by paying one-half its former value; and each article purchased must be paid for at double its former price. The government from the necessities of war, is the largest purchaser, and thus, by a kind of suicidal act, compels itself to pay two dollars for what one would have formerly purchased. And at this rate of advance, 200 millions of dollars can effect no more than one 100 millions of dollars would have effected before; or, in other words, one 100 millions of dollars are actually sunk in the operation.

Such a condition of the currency the government has anxiously endeavored to guard against. The war tax was laid for the purpose of creating a demand for treasury notes, and a security for their redemption. The redundancy has been carefully guarded against by allowing them to be funded in 8% bonds. If necessity shall compel the government to issue for the defense of the country and to keep out 200 millions, it is plain that every accession must impair and may defeat all these precautions. If the government should undertake for the sake of private interest so large an increase of issues it may hazard its entire credit and stability. The experiment is too dangerous, and relief for the planters must be sought in some other direction. And may not the remedy be found?

In the first place let the planters immediately take measures for winter crops to relieve the demand for grain and provisions. Let them proceed to divert part of their labor from cotton and make their own clothing and supplies. Then let them apply to the great resource presented by the money capital in banks and private hands. Let this capital come forward and assist the agricultural interest. Heretofore the banks have employed a large part of their capital in the purchase of Northern exchange. Let them apply this portion to factors acceptances of planters drafts secured by the pledge of the produce in the planters hands. An extension of the time usually allowed on these drafts

would overcome most of the difficulties. The extension could safely reach the probable time of sale of the crops, inasmuch as the suspension of specie payments throughout the entire Confederacy relieves each bank from calls for coin. The banks are accustomed to manage loans of this character, and will conduct the operation with such skill as will make them mutually advantageous. The amount of advance asked from the banks would be greatly less than if advances were offered by the government; and all the abuses incident to government agencies would be avoided.

It seems to me, therefore, that it is neither necessary nor expedient that the government should embark upon this dangerous experiment. It is far better that each class of the community should endeavor to secure its own existence by its own exertions, and if an effort be at once made by so intelligent a class as the planters, it will result in relief. Delay in these efforts occasioned by vague expectations of relief from the government, which cannot be realized, may defeat that which is yet practicable.

Respectfully, your obedient servant,
C. G. MEMMINGER, Secretary of the Treasury”.

A contributor to the Charleston Courier, of the same date from which I extract the foregoing, presents a statement which I append to the answer of Mr. Memminger as conclusive on the point made by General Johnston.

“To the Editor of the News and Courier:

The News and Courier, quoting from the forthcoming work of General Johnston, gives us the views of the author as to the cause of our failure. Those who ascribed it “to the superior population and greater resources of the Northern States”, and those who attributed our defeat to “a want of perseverance, unanimity and even of loyalty on our own part, are, in my view”, says the General, “both far wrong.” We are inclined to believe there is now a third party “wrong.” The Confederate government, the General thinks, had the means of filling its treasury, but the “government rejected those means.”

The necessity of money in the treasury, and the mode of raising it, were generally understood in the country. It was that the government should take the cotton from the owners and send it to Europe as fast as possible, to be sold there. This was easily practicable, for the owners were ready to accept any terms the government might fix, and sending to Europe was easy in all the first year of the Confederacy’s existence. Its government went into operation early in February. The blockade of the Southern ports were proclaimed in May, but was not at all effective until the end of the following winter, so that there was a period of about twelve months for the operation of converting four or five million bales of cotton in money. The sum raised in that way would have enabled the War Department to procure at once arms enough for 500,000 men; and after that the Confederate Treasury would have been much richer than that of the United States.

Let us examine the facts upon which this theory rests, and without the support of which it must necessarily fall to the ground. The crop of cotton available for this scheme must necessarily have been that of 1860-1861. It could not have been the crop of which the seed was not yet put in the ground when the government was formed in Montgomery. What was then the crop of 1860-1861? Was it four to five millions bales, and was it accessible for immediate exportation? The crop of 1860-61 was officially stated at 3,849,000 bales. Of this quantity the consumption of the Southern States took

off 193,000 bales. Leaving for exportation 3,656,000 bales. Let us now see what proportion of this quantity was available in the way described by General Johnston.

Up to the 28th of February, the month that gave birth to the infant government, 3,000,000 bales had been received at the seaports, and the great bulk of it had been exported to Europe or been sold to the New England spinners. By the 1st of May 586,900 bales more had been received and sold. England and the Continent took 3,127,000 bales. The New England spinners 654,000 bales. It will thus be seen that before the new government was fairly organized, the entire crop was already beyond its reach. Another crop followed, it is true, but no part of it was ready for market before the month of September ensuing. This all will agree in; and they will also agree that exportation in any quantity was an absolute impossibility. There were no vessels in the ports of the Confederacy; the last had left before the expiration of the sixty days allowed to foreign tonnage under the blockade proclamation. The only vessels that took out cotton after that time were the foreign steamers that ran the blockade to procure cargoes of cotton for the owners. They came in small numbers, and one or two at a time. Had the government seized one of them for its own use, or prevented them from leaving with cotton, they would have ceased to come. Thus we readily perceive with what facility a theory can be established upon mere conjectures, and how quickly it vanishes before the statement of real facts. For some time there has been a statement circulated among the critics which, in substance, amounts to charging Mr. Memminger with a failure to increase the credits of the Confederate Treasury in Europe, when the opportunity was offered him to do so by Baron Erlanger, a prominent banker of Paris. Ascertaining that this statement originated with Mr. James G. Gibbes, of Columbia, South Carolina, I called upon him, and in reply to my inquiry, received the following letter, which distinctly sets forth the charge and names the author:

COLUMBIA, S. C., July 4, 1892.

Colonel Henry D. Capers:

"DEAR SIR,

In reply to your request for information with regard to the sale of Confederate securities, I would say that I was sent to Europe in December 1862 by the Treasury Department of the Confederate States, then under the control of Mr. Memminger, to assist Mr. James Spence, Financial Agent, in disposing of \$15,000,000 of Confederate bonds, known as "Cotton Loan Bonds." These bonds being redeemable at the expiration of six months after the termination of the war at the option of the holder either in cotton at sixpence a pound, or in specie. The bonds were taken over by me. After several weeks of negotiation we found Erlanger & Co., of Frankfort and Paris, more disposed to aid us than any other important house. When Erlanger found, however, that the amount of the proposed loan was limited to \$15,000,000 he was very urgent to extend it to a very much larger amount; very properly taking the ground of the great benefits that would accrue to the Confederate cause by enlisting European capital in their success.

The instructions, however, being positive, neither Mr. Spence or myself had any power to increase the amount proposed for negotiation. Mr. Erlanger was so decided in his views on the matter that he determined to go to Richmond and see the Confederate authorities on the subject, which he did, but returned having utterly failed in inducing any increase of the proposed loan; Mr. Memminger declaring that \$15,000,000 would cover all that was then actually needed. Mr. Erlanger returned to Paris about the

middle of February, 1863, supremely disgusted at his failure to convince our authorities of the importance of interesting European capital in our cause. It was at last arranged that Erlanger would take the bonds at 95 cents. He then advertised for proposals for the loan, to be received up to March 1st, 1863, no bids to be considered less than 95 cents. On opening the bids it was found that the aggregate bid amounted to 105,000,000, or \$525,000,000, at prices from 95 cents to par, mostly about 97 cents, which gave a clear profit of from five to seven cents on the dollar to the firm of Erlanger & Co.

Comment is unnecessary. If the Confederate authorities had secured this large amount of French, English and German capital in their cause there is no earthly doubt but that their efforts would have forced a recognition of the Confederacy and brought about a peaceable solution of affairs. It has been a matter of surprise to me that so little has been said of the facts of this matter. A few years ago Mr. Barnwell Rhett, now of Plantsville, Alabama, applied to me for the details, but I do not know if he has ever published them. Mr. Erlanger informed me that after his interview with Mr. Memminger, the Secretary of the Treasury, he tried to induce President Davis to use his influence in the matter. Mr. Erlanger told me that President Davis was indisposed to take any positive action in the matter, as he entrusted the whole matter to the Secretary of the Treasury, but that he privately agreed with his views, and thought that it would be a great advantage to extend the loan as much as possible.

(Signed) Yours, very respectfully, JAMES G. GIBBES”.

I have no means of investigating the charge made by Baron Erlanger in his statement to Mr. Gibbes other than by an examination of the records of the Treasury Department and a reference to the official reports of the Secretary of the Treasury to the Confederate Congress. From these it *“Would appear that Baron Erlanger’s statement, as reported by Mr. Gibbes, is not in accord either with the letters of the Secretary to Mr. John Slidell, our Minister to France, or with the official reports and recommendations of the Secretary to the Confederate Congress.”*

I find in the record Book of the Secretary’s correspondence the following letter to Mr. Slidell, which directly contradicts the statement of the Paris banker, as far as this represents the personal or official views of Mr. Memminger on this subject.

*CONFEDERATE STATES OF AMERICA,
TREASURY DEPARTMENT, Richmond, Va., Nov. 7, 1862.*

“Hon. John Slidell:

My Dear Sir, Your communication to the President, and in answer to my letter of inquiry, with regard to the negotiation of our cotton bonds under the provisions of the act of August, has been referred to me and read with much interest. By the same dispatch I have a letter from Mr. Mason on the same subject. It is not surprising to me that our securities as authorized by the act of Congress are in demand among the bankers and capitalists of England and on the continent. The provisions of the act, however, does not give to me the authority to do so, or I would avail myself of this opportunity to place the greater part, if not the entire amount of the bonds in foreign markets provided this can be done at par, or near the par value of the bonds in specie. It is now evident that our struggle for independence is to be protracted through at least

another year, and in anticipation of the "uncertain future", to which you refer, it would be well for us to increase the credit of our government in Europe to the largest possible sum. Granting that I should be mistaken, and that the next year or six months, should bring to an end our struggle by a recognition of the independence of the Confederacy, a surplus to our credit in Europe would greatly aid in an adjustment of our finances.

The act of Congress authorizing the loan evidently provides for funding a part of our outstanding indebtedness in these bonds. This will absorb so much of the loan that I fear I will not be authorized to offer more than fifteen or twenty millions in the markets of Europe. Congress will soon be in session, and then I will endeavor to have the act so amended as to relieve all doubt as to the authority of the Secretary of the Treasury in the premises. A special messenger will take over the bonds to our financial agent, who will doubtless confer with you on the matter of their negotiation.

Very respectfully,

(Signed) C. G. MEMMINGER, Secretary of the Treasury".

In his official report of January 10, 1863, addressed to Hon. T. S. Boccock, Speaker, House of Representatives, CSA, referring to these cotton loan bonds, Mr. Memminger uses the following language:

"It is in my judgment advisable that we should improve the present opportunity to largely increase our specie credits in Europe. As a step in this direction I have sent a large amount of the cotton loan bonds, authorized by the act of the last Congress, to our financial agent at Paris, for negotiation, and am advised that they are in demand at the monied centers of Europe. The provisions of the act authorizing this loan are somewhat ambiguous. It is not clear as to whether Congress intended that these bonds should be used in funding treasury notes, or that they should be used in making a foreign loan. I recommend that the act be so amended that the bonds provided for may be used for largely increasing the amount of our specie deposits; also that the rate at which cotton shall be taken, in payment of the coupons of these bonds, when due, shall be reduced to sixpence, and that the option remain as now provided, with the holder to receive cotton at the price per pound, or coin, as he may elect. With this amendment to the act I am assured that purchasers for a large amount of these bonds can readily be found in the markets of Europe. Again, in his report to Congress, December 7, 1863, referring to these bonds, Mr. Memminger says: It is not clear what was the design of Congress in authorizing these bonds. The first law passed was in connection with the funding act, and the coupons were thereby made payable at the option of the holder of the bond in coin, or cotton valued at eight pence sterling per pound. The object of this law was obviously to provide means for raising money abroad, and after it was passed, I recommended that the rate at which the cotton was to be taken should be reduced to six pence, or the average price at Liverpool before the war. At this rate purchasers could have been procured at any time before the fall of Vicksburg. The amendment, which was made to the law by Congress, reduced the price, as proposed, but shifted the option of being paid in cotton from the purchaser to the government. This converted the bond, in the view of an European purchaser, into a single 6% money bond, with the interest payable here. The absence of the right to require cotton for the bonds took away their availableness in the foreign markets, etc."

I deem these records the highest evidence of what Mr. Memminger's views of the

financial policy of the government really were, and of his actions, as the financial executive of that government, Baron Erlanger, the banker and broker, nevertheless to the contrary. There is scarcely anything easier for some to do than to criticize the acts of others, after an emergency has transpired, and to censure is, unhappily, so much a characteristic of our humanity that we readily find those who can fix upon someone the responsibility for a failure so disastrous as was the war between the States. While it is not my purpose to discuss the financial policy of Mr. Memminger with the object in view of adding to the strength of the vindication made by his own words and acts against criticisms made designedly by some, or through ignorance by others, I deem it but an act of simple justice to the worthy Secretary, and due to the truth of history, that I should here notice a reflection which is apparently made by President Davis in his work, "Rise and Fall of the Confederate Government."

Referring to the condition of the Confederate finances in 1863, Mr. Davis, on page 491, Vol. I., uses this language:

"The evil effects of this financial condition were but too apparent. In addition to the difficulty presented to the necessary operations of the government and the efficient conduct of the war, the most deplorable of all its results was undoubtedly its corrupting influence on the morals of the people. The possession of large amounts of treasury notes led to a desire for investment, and with a constantly increasing volume of currency there was an equally constant increase of price in all objects of investment. This effect stimulated purchase by the apparent certainty of profit, and a spirit of speculation was thus fostered, which had so debasing an influence and such ruinous consequences that it became our highest duty to remove the cause by prompt and stringent measures. I, therefore, recommended to Congress in December, 1863, the compulsory reduction of the currency to the amount required by the business of the country, accompanied by a pledge that under no stress of circumstances would the amount be increased.

I stated that if the currency was not greatly and promptly reduced, the existing scale of inflated prices would not only continue, but, by the very fact of the large amounts thus made requisite in the conduct of the war, these prices would reach rates still more extravagant, and the whole system would fall under its own weight, rendering the redemption of the debt impossible and destroying its value in the hands of the holder. If, on the contrary, a funded debt, with interest secured by adequate taxation, could be substituted for the outstanding currency, its entire amount would be made available to the holder, and the government would be in a condition beyond the reach of any probable contingency to prosecute the war to a successful issue."

The effect of this language is to convey the impression that there was a radical defect in the financial policy of the government, which, besides threatening the destruction of the Confederate credits, was "*corrupting in its influence on the morals of the people*", and that the President, perceiving this to be the case, by his unaided intervention, in the form of recommendations to Congress, and suggested by the financial officer of the government, had induced the legislation of February, 1864, which remedied the evil. I cannot believe nor do I charge that Mr. Davis would attempt to add to his own reputation as a financier, or to his fame as a statesman, by depriving a self-sacrificing Cabinet officer of the credit due him, or that he would designedly seek to make of him a scapegoat for the errors of his administration. I prefer rather to believe that the weakness of the President, a pardonable egotism, captured his pen in this instance, and gave a form of expression to his thought, which with the Secretary's reports before him he would have at least modified to the extent of recognizing the source from whence his

suggestions were derived.

Upon an examination of the reports of the Secretary, it will be seen that he not only anticipated the difficulties to which Mr. Davis refers, but had repeatedly called the attention of Congress to them. From his report of January 10, 1863, I take the following:

“By a law as invariable as any law of physical nature, prices rise or fall with the actual volume of the whole currency. Neither skill nor power can vary the result. It is in fact a relation existing between two numbers, the one representing the total values of property and the other the total circulating medium. The nature of that medium cannot change it. It would exist with a currency of gold with as much certainty as with one of paper, if the gold were kept within the country by restraints equal to those that retain the paper. Prices will reach the height adjusted by the scale of issue, and they can only be restored to their usual condition by a return to the normal standard of currency. In other words, the only remedy for an inflated currency is a reduction of the circulating medium. Is this reduction practicable? Before answering the question it is important that we should be fully assured of the excessive issue of paper currency. If the country was open to foreign intercourse, the difference in value between coin and paper money would at once afford a test. But in the present condition of trade coin cannot be imported and gold and silver have become articles of commerce like iron and lead. They cannot, therefore, take their usual place as absolute measures of value.”

After proceeding to show that other tests such as bills of exchange, commodities in general use, and of which there was a scarcity, and even real estate could not, under the existing state of affairs, be made a standard of values; and as such a test by which to determine the excess of the paper currency of the country, the Secretary proceeds to state, in his usual clear and concise manner, that *“the remedy which is required, in order to be effective, must therefore withdraw two-thirds of the entire volume of the currency. At the last session of Congress an effort was made by me to attain this result by the proposal for a loan of one-fifth of all gross income, to be paid in treasury notes, in exchange for bonds. The adoption of this measure would have retired a large amount of treasury notes at an early period, and would have checked the advance of prices. It is the misfortune of every such failure that it leaves the evils increasing at a double ratio, and subsequent remedies must be so much the more stringent. All the causes of excess continue in full operation. The conditions, then, which any sufficient remedy must fulfill, are, first, prompt, and secondly, effective reduction.”*

Again, in his report December 7, 1863, the month and year referred to by President Davis, in referring to the enormous sum expressed in the several estimates of expenses made by the several departments of the government, he says: *“If these estimates are to be supplied by new issues of currency prices must again increase, and large additions must be made to the figures which represent both currency and estimates. It is obvious that some other mode of raising supplies must be devised, and the necessity is equally obvious of reducing the volume of the currency.”*

In a former report it was shown that 150 millions of dollars was probably the amount of currency which could be put in circulation, under existing circumstances, in the Confederate States, without material derangement of values. The currency in circulation when the estimates for the ensuing year were made up was very near four times that amount; and it may be fairly assumed that the prices were then nearly four times what they would have been if the currency had been restored to its original condition. A reduction of the currency, then, should be a preliminary measure.” Continuing, he says: *“Thus are we fairly confronted with the three difficulties to be surmounted:*

1. *The currency must be reduced;*
2. *The supplies must be raised;*
3. *The measures to attain these ends must be prompt and certain."*

These extracts are sufficient to show to the reader the real source from whence emanated the financial policy mentioned by President Davis. I commend the careful study of the reports of the Secretary to those who would thoroughly comprehend the system adopted by him of issuing treasury notes, and funding, in interest-bearing bonds, a sufficient amount of these to keep the currency at a normal relation with a legitimate measure of value. This plan of Mr. Memminger's was adopted, sometime after he had successfully followed it, by Mr. Chase, Secretary of the Treasury of the United States. The advantages which Secretary Chase had of open ports and free commercial exchanges with European powers enabled him to accomplish results which were only impossible to Mr. Memminger because of the absence of conditions essential to the maintenance of the Confederate credit. If the writer may be permitted to do so, he would also suggest to certain political economists, who are now advocating an indefinite expansion of the currency of the United States, that the study of the reports of Mr. Memminger to the Confederate Congress will give them an answer to their theories, not only logical and perfect, but which has been approved by the experience of ages.

I do not deem it necessary to give in more extended detail than I have presented the incidents or facts connected with the administration of Mr. Memminger, as Secretary of the Confederate Treasury. These I could not give from any personal knowledge of or relation to them, later than the expiration of the Provisional government on the 18th of February, 1862, when I resigned my office as Chief Clerk and entered the army. Nor would it be other than redundancy with the reports of the Secretary appended to this work. The almost superhuman work which he had undertaken continued to increase with its burdens of responsibility, and in many instances, with its vexatious annoyances. Finally, Mr. Memminger could stand these no longer, and on the 14th day of June, 1864, addressed the following letter of resignation to the President:

TREASURY DEPARTMENT, RICHMOND, June 15, 1864.

His Excellency, the President:

"Sir, You have been aware for several months past of my desire to withdraw from my present official position and of the reasons which restrained me from so doing. With an earnest purpose to devote to the service of my country during the perils which surround her, whatever faculties I may possess, I had nevertheless perceived that the enormous burdens imposed on the Treasury by a war on so vast a scale, and the difficulty of sustaining them had given rise to discontent and to distrust in the ability of the officer administering the financial department. To the elements of dissatisfaction was added another more grave, and arising from essential differences in the plans submitted by the head of the Department and those adopted by Congress. In this condition of things it would seem to have been proper to have resigned my office as soon as Congress had passed its judgment against the plans which I had submitted. Two considerations, however, prevented. The first was a repugnance to any act which could be construed into an abandonment of a post of duty assigned to me during a struggle in which I felt that every citizen owed to his country whatever sacrifice or service was demanded of him. The financial plan, which was finally adopted by the last Congress, had been uncertain until the end of the session. It was not matured until the two Houses had

referred the matter to a committee of conference, and it became a law only on the last day of the session. The machinery which was required for its operation was complex and extensive, and by the terms of the law, just forty days were allowed to carry it into complete effect. No new head of the Department, however competent, would have been able to acquire sufficient knowledge of office details in time to have carried out the provisions of this act. The public good, therefore, demanded that I should not leave my post during this period.

The second consideration which prevented was the unwillingness I felt to leave you in opposition to your desire, while you honored me with such confidence as you have manifested, and while your whole energies were still taxed by the great and varied responsibilities attendant upon the office in which Providence has placed you. These considerations now no longer govern. The first is at an end. The funding of the currency has been nearly completed and the entire machinery required by the plans of Congress for taxes and finance is now in full operation. No public interest will suffer by my now giving place to a successor. The second consideration must yield to the conviction that justice to myself and the public, requires me to insist on your acceptance of the resignation which I now tender in the hope that you will be successful in choosing a successor whose views shall harmonize with those of Congress, and who may, on that account, be better able (none can be more earnestly desirous) than I have been to do valuable service to our country.

I confess, sir, that I cannot, without deep emotion, separate from you and my colleagues in the Cabinet. Neither can I do so without bearing testimony that never in the utmost freedom of confidential intercourse have I heard one word or suggestion indicating aught else but a conscientious and disinterested desire to do what was best for the country. It had, been my hope that ere our official connection terminated our country would be in full fruition of the peace and independence for which she has paid so costly a price, and that you, sir, would have enjoyed in the spectacle of her happiness and prosperity the only reward you seek for the ceaseless cares and labors devoted to her service. Though this may not now be, I shall not cease in private life to give my warm co-operation in whatever may conduce to the consummation so ardently desired.

I need scarcely add, Mr. President, that while desiring to be relieved at as early a period as may be practicable, my services remain freely at your disposal until you shall have selected my successor in office. With heartfelt wishes for your health, happiness and prosperity, I remain, with the highest respect and esteem,

(Signed) Your obedient servant, G. MEMMINGER”.

To this letter of resignation the President replied as follows:

RICHMOND, VA., June 21, 1864.

To Hon. C. G. Memminger, Secretary Confederate States Treasury,

“DEAR SIR, I have received your letter of the 15th instant stating the grounds on which you deem that justice to yourself and to the public requires you to urge my acceptance of your resignation. Some months since you expressed a desire to retire, for the reason that in your belief the public service would be promoted by the appointment of a successor whose views of financial policy accorded better than your own with the legislation then lately adopted. I knew the extreme difficulty of conducting the Treasury

Department during the pending struggle. I was aware that any officer, however competent, must probably fail to escape the many adversions of those who are ready to attribute to inefficient administration the embarrassment due to legislation not adapted to the existing circumstances. The experience acquired by you in the organization and management of the Department could not be immediately replaced, and for these reasons I was satisfied that the general welfare would be injuriously affected by your withdrawal at that time. You have now at least the consolation and satisfaction to know that your personal wishes were surrendered to a conviction of public duty. Recent events do not warrant me in refusing your renewed request that I should accept your resignation. The regret you express at the prospect of our official separation is sincerely shared by me. From your entrance on the duties of your office, I have observed and appreciated the cheerful and unremitting devotion of all your faculties to the public service, and do not fail to remember that it was at the sacrifice of your private inclinations that you continued to fulfill the arduous duties of your post. The offer you make of your services until your successor can assume office is in the same patriotic spirit and is accepted as thankfully as it is generously tendered. At as early a period as practicable I will endeavor to comply with your request to be relieved. With my grateful acknowledgment for your past assistance and for your very kind expressions of personal regard be assured of the cordial esteem with which I am your friend.

(Signed) JEFFERSON DAVIS"

When Mr. Memminger's resignation became known he not only received many letters cordially expressing regrets and the high esteem in which he was held, from the leading public men and financiers of the South, but with a remarkable unanimity the press especially of Richmond, Va., Charleston, S. C., and Montgomery, Ala. were without stint in the expressions of high encomiums upon his merits as a man and his devotion to the duties of his office. I extract the folio wing from the Richmond (Va.) Sentinel, among the many, I find with Mr. Memminger's private papers:

"The following correspondence gives confirmation to what has been for some time generally understood, that Hon. C. G. Memminger had asked to be relieved from the duties which for more than three years he had so faithfully, diligently and ably discharged as Secretary of the Treasury. The tributes mutually paid by the parties to the correspondence show the high regard and the just estimate that they have always entertained each for the other. Mr. Memminger has had a most laborious and difficult position to fill one that demanded the sympathy and generous support of every patriot. He has been in a considerable measure, however, the target of factionists and determined faultfinders, and has been impeded in his public duties by the clamor that they have excited. But those will know him best will say, as history will say, that no Republic ever had a more faithful public servant, or one who more diligently devoted his high capacity, regardless of sacrifice and of personal comfort, to the service of his country. He has well earned the cordial thanks of the Confederacy. No one was more ready to appreciate a sincerely expressed criticism of his public course than Mr. Memminger, and when assured in his own mind of his rectitude and approved by his conscious sense of self-respect, no one was less affected by either the adulations of a sycophant or the captious objections of mere fault-finders".

There were thousands of these latter people to be found all over the South, who would offer no suggestion for the remedy of evils, but who believed these to result from

an unwise administration, without a knowledge of the facts with which the executive had to contend. It may be inferred that but few men capable of filling the office Mr. Memminger had resigned would have the temerity to assume so grave a responsibility and under such trying circumstances. The Secretary was sincere in the expressions made in his letter of resignation. He was then a patriot ready to devote his energies to the service of his country; and, as such, he would not attempt to perform an office, when, in his judgment, the service required of him was not such as he believed would redound to the public good. Perfectly free from a vain ambition that would prompt him to maintain a position when he knew the ends desired by Congress could not be reached by the methods adopted, he resigned his office, hoping that someone could be found who would be wise enough to maintain the credit of the Confederacy in spite of the vicious policy forced upon the Treasury Department by the Congress.

In the conduct of the Treasury Department, especially in devising the general financial policy inaugurated by him at the outset of the government, Mr. Memminger had freely conferred with the leading businessmen of the South. With none had he consulted more fully than with Mr. George A. Trenholm, of the great house of Fraser, Trenholm & Co. of Charleston. Mr. Trenholm's reputation in the sphere in which he had been engaged was widely known, and his skillfully appreciated by Mr. Memminger, who knew him to be among the best of the financiers of Charleston. Under the circumstances, his selection as the successor of Mr. Memminger was to a great extent an endorsement of the general policy pursued by the Secretary, which, if possible, made more emphatic the compliment of the President in his letter accepting his resignation.

As soon as Mr. Trenholm was properly installed in office and was made familiar with the general details of the department, Mr. Memminger retired to his inviting country seat at Flat Rock, North Carolina, to enjoy a release from the official cares that had long burdened his mind and taxed his physical strength.