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CONFEDERATE FINANCE: A DOCUMENTARY STUDY  
OF A PROPOSAL OF DAVID L. YULEE

by **ARTHUR W. THOMPSON**

The growth of total war in the twentieth century has increasingly focused our attention on the importance and role of domestic economic relationships, particularly those concerned with fiscal policy. The problem of financing a war effort is not a new one however, and the outcome of many a struggle has hinged upon its effective solution. In the case of the American Civil War, a contemporary historian has written: "One of the most fundamental causes of the ultimate failure of the Confederacy lay in its unwise financial policies."<sup>1</sup> That the failure to devise an effective fiscal structure was a contributory factor in the collapse of the Confederacy, will be doubted by few historians.

There were many obstacles that loomed large in blocking the creation of an orderly system of Confederate finance. The proposition "that the Confederacy was a firmly established government instead of merely one in the making was . . . fatal . . ." <sup>2</sup> Foreign trade and international loans were effectively curtailed by the blockade, while Federal invasion disrupted the collection of taxes and the marketing of bonds. Furthermore, in an agrarian, debtor area, whose assets could not be liquidated with ease, the raising of sufficient funds proved an almost impossible task.

The paths open to the new government, therefore, were limited. Bond issues, paper money, and taxation were available for interest payments, purchasing, and governmental operation. The issuance of paper money had not been planned as a war measure. <sup>3</sup> Yet the failure of the first bond issue by the Spring of 1861 made it evident "that the Treasury could not depend on

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1. E. M. Coulter, *The Confederate States of America* (Baton Rouge, 1950), p. 149.

2. *Idem.*

3. *Ibid.*, p. 158.

the sale of bonds to provide cash for the needs of the government.“<sup>4</sup>

The first Confederate Secretary of the Treasury, Christopher G. Memminger, had planned a diversified financial program that included "bonds, a paper currency, and taxes," yet Congress rapidly "embarked on the easy road of paying its debts in unsecured paper and bonds."<sup>5</sup> To his repeated pleas for some tax legislation, the "economy-minded" Congress turned a deaf ear. It was easier to print money and bonds than to set up a tax system. Besides, tax returns would be slow and would not be of any consequence in what was expected to be a short war.

Nevertheless, early in 1861, with the pressure for taxation growing, indirect and, more and more, direct levies were gradually instituted. An 1861 tariff produced altogether about \$1,000,000 in specie.<sup>6</sup> A small export tax on cotton, however, served to embitter the planters. Direct levies, established early in the war on real estate, livestock, slaves, and certain personal possessions had produced only \$18,000,000 by 1863. The permanent Constitution, adopted on March 11, 1861, contained provisions against further direct taxation unless "apportioned among the several States."<sup>7</sup> Nevertheless, by 1863, the demand for a tax program could not be stemmed any longer. Davis, Stephens, Toombs and Memminger recommended it; large portions of the press advocated it; and leading citizens of the community supported it. As a result, on April 24, 1863, and in defiance of the Constitution, the Confederate Congress enacted a comprehensive system of taxation. Its provisions included an 8 per cent *ad valorem* tax on farm and forest products, occupational and license taxes, a low, graduated income tax, and a retroactive tax

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4. R. W. Patrick, *Jefferson Davis and His Cabinet* (Baton Rouge, 1944), p. 211.

5. Coulter, *op. cit.*, p. 153.

6. *Ibid.*, p. 174.

7. *Journal of the Congress of the Confederate States*, I, 910 (Constitution of the Confederate States; Art. I, Sec. 2, par. 3).

on excess profits. Congress also provided for a tax on agricultural production - reminiscent of the tithe - to be paid in kind.

In February, 1864, still another unconstitutional tax law was passed providing for an additional 5 per cent on real and personal property. A year later, Memminger's successor, Secretary Trenholm, was still pleading for more tax revenue to raise a necessary three-quarters of a billion dollars.<sup>8</sup> But by that time the end had come. In all, it has been estimated that approximately 1 per cent of Confederate income came from taxation.<sup>9</sup>

In retrospect, it is clear that the Confederate Congress had been unwilling to face the reality of a tax program adequate to the needs of the situation. Whether or not the public would have supported an extensive tax scheme cannot be said. Yet there were those who did advocate such a program, among them former United States Senator David L. Yulee, and his wife, Nancy Wickliffe Yulee. Whether the high tax proponents, including the Yulees, would have maintained their ardor in the face of such a program is impossible to say.<sup>10</sup>

In December, 1863, Mrs. Yulee wrote to her old friend in Richmond, Mrs. Clement C. Clay, wife of a Confederate Alabama senator : -

Homosassa [Florida]  
Dec 9 1863

My dear Mrs Clay

You have not forgotten me I know, and will be glad to know we are happy & well in spite of all the evil the Yankees have done my people. I pity those who . . . dont know the happiness of dwelling among their own people.

8. Patrick, *op. cit.*, p. 241.

9. Coulter, *op. cit.*, p. 182.

10. On a number of occasions during the War, Yulee's patriotism was called into question. His initial refusal to turn over to the Confederate government 50,000 pounds of sugar produced on his Homosassa plantation as well as his strong objections to the removal of iron from the Florida Railroad of which company he was president, tends to leave some doubt as to whether his "pay as we go" proposal would have continued to enjoy his enthusiastic support.

I pity those who have no country to love, to fight for, to die if need be, for.

It is this very country of yours and mine, that induces me to write this letter. I want you to use your influence, (you have much) to induce those faulty [?] law makers to come up to our necessities, and put our currency right. Your husband is all right I know. Tax, tax, tax our people to half we have if necessary but let the *World* know we ARE paying. Ten victories will not give the Yankees such a blow as this fact. Now Mrs Clay I don't ask you to step out of your way, but God has given you many friends, stir them up to their duty and let us be the proudest people, because the most honest.

Mr Yulee is surrounded by difficulties. Our plantation is only four miles from the gulf. The Yankees could come up in barges any moment, but we have some sharp shooters on the bank and they know it. They think Mr Yulee has a rifled cannon but that is a mistake. Well if he moves us in the interior we have a more unhealthy climate and less to eat, for our fine fish and oysters are worth a little risk, and then our children have perfect health on the coast. Besides on all our little rivers the Yankees have got whipped and they are afraid. I have been here now two years hearing their guns chasing blockaders or firing on Tampa or Bay Port. But I am not afraid. A trouble is upon us however which if it succeeds Mr Yulee says he must abandon his home and seek in South Georgia perhaps a refuge. The Gov has demanded the iron from one of our roads and I think part of another. The people of East Florida will then be left without any means of bringing corn or troops to our assistance in case of an invasion and the enemy can take possession as soon as he learns our roads have been taken by our Gov. Mr Yulee has always said if the roads were taken, it would lead to a military abandonment of Florida. I do believe I would regret this move, more for my country's sake than my own; but the heart is so deceitful I will not declare it. However I believe our people will appeal to the *law* . . . . Do write me a long letter in your own delightful style. How I would like to have a long talk with you. I am

forty miles from a neighbor and a pleasant letter is my only society. Bragg's defeat fills us all with gloom, yet we are not discouraged. I have never felt a doubt of my country. But dark and painful trials are yet before us perhaps. Dear Mrs Clay have you given your heart to Jesus! Do use those talents he has-given you for His glory? Soon this Earth will perish but we shall live forever. May it be with the blessed Lord.

Yours very truly  
Sincerely

N. C. Yulee <sup>11</sup>

Less than three weeks after this letter was written, Thomas J. Semmes of Louisiana reported to the Confederate Senate his Finance Committee's bill on ways and means "to provide for a new issue of Treasury notes, and for funding all such notes now outstanding."<sup>12</sup> Coming on top of Memminger's December 7, 1863 report calling for "a comprehensive scheme of funding,"<sup>13</sup> Semmes' proposal finally called forth a lengthy letter from Yulee to Florida's Senator James M. Baker.<sup>14</sup> In contrast to his wife's earlier letter touching upon the same subject, it is not as personalized or emotional in its appeal, nor is it as religiously oriented. Rather, it reveals an aspect of the economic mind of a mid-Nineteenth century Southern entrepreneur.<sup>15</sup>

11. Original in Duke University Library. Photostatic copy in P. K. Yonge Library of Florida History, University of Florida.

12. *Journal of the Congress of the Confederate States*, III, 492 (28 December 1863).

13. Patrick, *op. cit.*, p. 214.

14. In contrast to Semmes' position, David L. Yulee was more in agreement with Senators W. S. Oldham (Texas) and G. A. Henry (Tennessee) who favored higher tax proposals. Pamphlet in the P. K. Yonge Library (Yulee Papers) University of Florida. *Speech of Hon. W. S. Oldham of Texas, on the Subject of the Finances, Senate, December 23, 1863.*

15. Retained copy in Yulee's hand in Yulee Papers: Yulee to Baker, Homosassa, Jan. 12, 1864.

This exceptional collection of papers for the study of Florida's history during the period of Yulee's life was presented to the University of Florida by Senator Yulee's daughter, Mrs. Florida Yulee Neff, through Professor Rembert W. Patrick of the University, who generously made the papers available to this writer, now at work on a biography and documentary study of Senator Yulee.

Homosassa, Jan'y 12. 1864

Dear Sir:

I promised that I would write you after seeing the plans proposed by the Govt for settling the finances. Having seen these, & the plan also of the Senate Committee, I now briefly give you my opinion; not because I think it specially valuable, but because in this critical conjuncture of our affairs, we should all throw in our mite to the general stock of thought upon the subject.

All the plans strike me as faulty in the policy of saddling our young Confederacy with the duty of paying in coin the nominal sum of our existing liabilities. A funded debt of fifteen hundred million, with the increase which this policy once entered upon will compel, **THE CONFEDERACY CANNOT BEAR.** It will be death to its credit now, when it needs credit, and crippling in all its future career: besides that it may lead to an oppressive and consolidated government.

What the Govt justly owes it must liquidate at every hazard, I agree. But for the Treasury notes now out, or the bonds which represent funded treasury notes, the Government has not received value upon the metallic basis, and therefore ought not in equity to be expected, at the cost of the country's ruin, to pay them in coin, or to establish as a permanent debt upon the standard of the metals.

As I wrote you a year ago, *a sufficient taxation* is the necessary basis of all our financial policy. We must make the tax adequate to the requirements of the day. To "pay as we go" is a rule which no people can discard without commensurate injury to their permanent prosperity: and this rule should be observed in War as in Peace. The burthen may be very great in time of war - but better to bear it in our own day, than to saddle our posterity with the evils of debt. The Country can bear, and bear profitably for so great a boon as Independence, *a tax equal to the whole net income of the capital and industry*

*of the Confederacy.* And this will be sufficient, in a healthful state of values, to support the war, last as long as it reasonably may. What, after all, will such a tax amount to, but a mere contribution, for the short period of the war, of our annual excess, to the common treasury for a purpose essential to the preservation of the principal from which the income is derived, and its future enjoyment. It is simply the sacrifice [*sic*] of *accumulation* during the war, for the success of the cause; and rests upon the idea that in this struggle for existence, we should regard the Confederacy as one common field or encampment, in which every person should contribute his efforts & resources; either to fight, or to support the fighters: and until we settle down upon this idea, in a practical way, we have not reached the ultimate duty and necessity of the day. Draw then upon the people for their whole net income, or as much of it as will furnish their Government, under the Providence of God, with "its daily bread."

But you may reasonably object that to convert the production or income of the country into money for the payment of taxes to the extent of the large annual contribution required by the war, will be a difficult operation. The difficulty is avoided by receiving the income of the country in kind, so far as it may be of a kind suitable for the consumption of the army, or the supply of the Government wants. Let the banks & capitalists pay in money, the farmers in breadstuffs, wool, cotton or other product, the manufacturer in iron, cloth, or whatever he produces, the stock raiser in beef & hides, the railroads in transportation, and so on. Each man surrendering to his Government the required share of his excess: for upon *excess of income* I would throw the whole burden. In order to reach a just estimate of net income, settle how much of the gross income of each citizen is properly required for the support of his family, according to its number & other circumstances, and

let so much of the rest as may be required, all if necessary, be taken for the support of the War, as a small price for the Liberty we are to win, and a no less small counterbalance for the contribution which those make who give thier [*sic*] blood in the cause!

So much for the future.

Now, how shall we deal with the debt of the past, which a postponement of this duty of taxation has created? Is there not some plan by which the actual debt of the Government can be reduced to its proper description in coin, without injustice or injury to the holders of the debt? It seems to me it should be possible to reduce it to a specie standard, with entire justice to its holders, and without leaving upon our new Government an undue burden, or one from which it cannot soon relieve itself.

Why may not a reasonable plan be founded upon the undisputed principle in economical science that no matter to what extent the circulating medium of a country may, at any time, have been augmented or diminished, *its value always remains unaltered?*

Suppose the Government to have determined, as the Secretary's plan implies, that a circulating medium of two hundred million in amount, is the proper sum of currency for conducting the exchanges of commodities in the country, and suppose it shall then call in the outstanding Treasury notes and put into the hands of thier [*sic*] holders, in due individual proportion, two hundred millions of Government notes payable after the war, in coin at the existing standard value, with a strict pledge upon the face of the new issue that no more shall be put out, wherein would the holders of the circulation be injured? The two hundred million of new issue would represent precisely the same exchangeable value as did the eight or ten hundred million for which it was substituted - and *would*

*buy the same amount of other property in market.* Guarded against increased & excessive issue it would be of fixed and certain value, would be the effective sign of the same amount of coin, and would be nearly as satisfactory as coin, serving most of its functions, so long as we remain without foreign [*sic*] commerce; and as soon as Peace may reinstate our commerce with foreign nations, the Government would be in condition to redeem with specie. This new currency would be liable to only one risk or disadvantage in comparison with gold, and that would be the contingency of Independence. If we fail in the struggle [*sic*], the debt would be obliterated; but as it is only a home debt, this consequence would be immaterial, if we lost our Liberty. / The chief inconvenience and damage would be to those who have become debtors since the war. They would have to pay a larger relative value for the consideration they received [*sic*] than if the volume of circulation had not been reduced, unless equitable relief is provided. For this class the States might provide a rateable reduction, according to the date when the debt was incurred [*sic*], for payments in coin. But generally those who have contracted debt since the war, have done so mostly in pursuit of speculative purposes. The farmer and others engaged in regular & productive employments have not had occasion to go in debt; for the exigencies of the war has created a market at remunerative prices for all the fruits of thier [*sic*] labors. While, under the plan suggested, the holders of the Treasury notes would, in the two hundred million of new issue, hold a volume of currency of equal utility with that which they surrender for extinguishment, and therefore would have suffered no appreciable loss, the Government, left with an indebtedness comparatively so small to be provided for after the war, would be restored to a vigor of credit and hope that would be felt, in all its future administration, upon the destinies of the Confederacy. Who would not sacrifice to such an end!

But what can be done with that portion of the Treasury debt which consists of interest bearing bonds. Those bonds were issued for treasury notes, not for coin, & representing in truth funded *treasury notes*, ought not to have advantages over the current notes. Can anything be more reasonable than that the nominal amount of this debt should be at once reduced, by the same rule applied to the current notes, to actual coin value?

The whole point of my advice is that we who are carrying on the war shall provide for its current cost: that we should return at once to the standard of values which a properly limited currency establishes, and from which we should never have departed: and that in the moment of doing so we should conform the outstanding debt resting upon past transactions, so far as they have varied from it, to the same standard.

I confine this letter to the matter of the public finances, because *money is the sinew of war*; and if the Government cannot sustain its revenues and currency, the revolution that brought it into existence must fail, and Independence and Liberty fall.

Very truly yours

D. L. Yulee

Hon James M Baker  
Senator from Florida