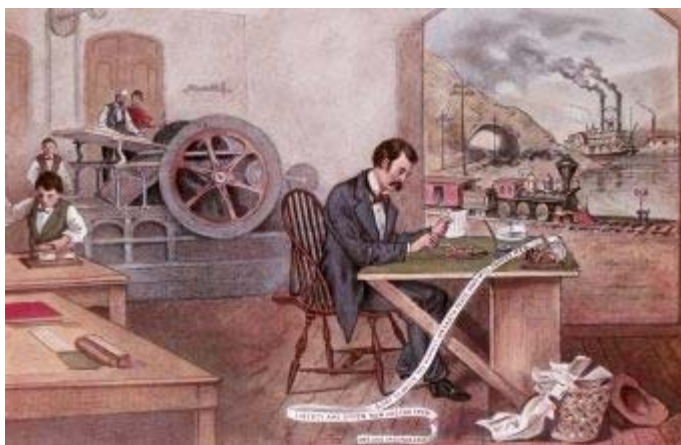


# Industry and Economy during the Civil War

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New technologies showing America's emerging industrial greatness were refined the Civil War: the railroad, the steamboat, the telegraph, and the steam-powered printing press  
Library of Congress

The American economy was caught in transition on the eve of the Civil War. What had been an almost purely agricultural economy in 1800 was in the first stages of an industrial revolution which would result in the United States becoming one of the world's leading industrial powers by 1900. But the beginnings of the industrial revolution in the prewar years was almost exclusively limited to the regions north of the Mason-Dixon line, leaving much of the South far behind.

In 1860, the South was still predominantly agricultural, highly dependent upon the sale of staples to a world market. By 1815, cotton was the most valuable export in the United States; by 1840, it was worth more than all other exports combined. But while the southern states produced two-thirds of the world's supply of cotton, the South had little manufacturing capability, about 29 percent of the railroad tracks, and only 13 percent of the nation's banks. The South did experiment with using slave labor in manufacturing, but for the most part it was well satisfied with its agricultural economy.

The North, by contrast, was well on its way toward a commercial and manufacturing economy, which would have a direct impact on its war making ability. By 1860, 90 percent of the nation's manufacturing output came from northern states. The North produced 17 times more cotton and woolen textiles than the South, 30 times more leather goods, 20 times more pig iron, and 32 times more firearms. The North produced 3,200 firearms to every 100 produced in the

South. Only about 40 percent of the Northern population was still engaged in agriculture by 1860, as compared to 84 percent of the South.

Even in the agricultural sector, Northern farmers were out-producing their southern counterparts in several important areas, as Southern agriculture remained labor intensive while northern agriculture became increasingly mechanized. By 1860, the free states had nearly twice the value of farm machinery per acre and per farm worker as did the slave states, leading to increased productivity. As a result, in 1860, the Northern states produced half of the nation's corn, four-fifths of its wheat, and seven-eighths of its oats.

The industrialization of the northern states had an impact upon urbanization and immigration. By 1860, 26 percent of the Northern population lived in urban areas, led by the remarkable growth of cities such as Chicago, Cincinnati, Cleveland, and Detroit, with their farm-machinery, food-processing, machine-tool, and railroad equipment factories. Only about a tenth of the southern population lived in urban areas.

Free states attracted the vast majority of the waves of European immigration through the mid-19th century. Fully seven-eighths of foreign immigrants settled in free states. As a consequence, the population of the states that stayed in the Union was approximately 23 million as compared to a population of 9 million in the states of the Confederacy. This translated directly into the Union having 3.5 million males of military age - 18 to 45 - as compared to 1 million for the South. About 75 percent of Southern males fought the war, as compared to about half of Northern men.

The Southern lag in industrial development did not result from any inherent economic disadvantages. There was great wealth in the South, but it was primarily tied up in the slave economy. In 1860, the economic value of slaves in the United States exceeded the invested value of all of the nation's railroads, factories, and banks combined. On the eve of the Civil War, cotton prices were at an all-time high. The Confederate leaders were confident that the importance of cotton on the world market, particularly in England and France, would provide the South with the diplomatic and military assistance they needed for victory.

As both the North and the South mobilized for war, the relative strengths and weaknesses of the "free market" and the "slave labor" economic systems became increasingly clear - particularly in their ability to support and sustain a war economy. The Union's industrial and economic capacity soared during the war as the North continued its rapid industrialization to suppress the rebellion. In the South, a smaller industrial base, fewer rail lines, and an agricultural economy based upon slave labor made mobilization of resources more difficult. As the war dragged on, the Union's advantages in factories, railroads, and manpower put the Confederacy at a great disadvantage.

Nearly every sector of the Union economy witnessed increased production. Mechanization of farming allowed a single farmer growing crops such as corn or wheat to plant, harvest, and process much more than was possible when hand and animal power were the only available tools. (By 1860, a threshing machine could thresh 12 times as much grain per hour as could six

men.) This mechanization became even more important as many farmers left home to enlist in the Union military. Those remaining behind could continue to manage the farm through the use of labor-saving devices like reapers and horse-drawn planters.

Northern transportation industries boomed during the conflict as well--particularly railroads. The North's larger number of tracks and better ability to construct and move parts gave it a distinct advantage over the South. Union forces moving south or west to fight often rode to battle on trains traveling on freshly laid tracks. In fact, as Northern forces traveled further south to fight and occupy the Confederacy, the War Department created the United States Military Railroads, designed to build rails to carry troops and supplies as well as operating captured Southern rail lines and equipment. By war's end, it was the world's largest railroad system.

Other Northern industries--weapons manufacturing, leather goods, iron production, textiles--grew and improved as the war progressed. The same was not true in the South. The twin disadvantages of a smaller industrial economy and having so much of the war fought in the South hampered Confederate growth and development. Southern farmers (including cotton growers) were hampered in their ability to sell their goods overseas due to Union naval blockades. Union invasions into the South resulted in the capture of Southern transportation and manufacturing facilities.

The Southern economy, while shaky throughout the war, grew markedly worse in its later years. The Emancipation Proclamation both enraged the South with its promise of freedom for their slaves, and threatened the very existence of its primary labor source. The economy continued to suffer during 1864 as Union armies battered Confederate troops in the eastern and western theaters. In the East, General Ulysses S. Grant threw men and materiel at Robert E. Lee's depleted and increasingly desperate army. Grant took advantage of railroad lines and new, improved steamships to move his soldiers and had a seemingly endless supply of troops, supplies, weapons, and materials to dedicate to crushing Lee's often ill-fed, ill-clad, and undermanned army. Though the campaign eventually fell into a stalemate at Petersburg, Virginia, Grant could afford to, as he stated, "fight it out along this line if it takes all summer," while Lee could not.

In the western theater of the war, William T. Sherman's Union troops laid waste to much of the Georgia countryside during the Atlanta Campaign and the subsequent "March to the Sea." Sherman's campaigns inflicted massive damage to Southern industry, agriculture and infrastructure. His soldiers destroyed rail lines and captured the major economic and transportation hub of Atlanta and the critical seaport of Savannah. When Sherman famously telegraphed Lincoln in December 1864, "I beg to present you as a Christmas gift the city of Savannah," his gift included "about twenty-five thousand bales of cotton." Sherman himself later estimated that this campaign, which eventually moved north and similarly impacted the Carolinas, caused \$100 million of destruction. An already troubled Confederate economy simply could not absorb such massive losses and survive.

As the war progressed, substantial and far-reaching changes were taking place far from the battle lines. When Lincoln became president in March 1861, he faced a divided nation, but also a

Congress dominated by Republicans after many Southern Democratic members left to join the Confederacy. Lincoln and congressional Republicans seized this opportunity to enact several pieces of legislation that had languished in Congress for years due to strong Southern opposition. Many of these bills set the course for the United States to emerge by war's end as a nation with enormous economic potential and poised for a massive and rapid westward expansion. When Southerners left Congress, the war actually provided the North with an opportunity to establish and dominate America's industrial and economic future.

Foremost among these bills was the Homestead Act, a popular measure regularly debated in Congress since the 1840s. This law provided free title to up to 160 acres of undeveloped federal land outside the 13 original colonies to anyone willing to live on and cultivate it. Southerners had for years opposed the idea because it would severely hamper any opportunity to expand slavery into the areas where settlement would be likely. In the North, "free soilers" had clamored for the bill for decades, while abolitionists viewed it as a means to populate the West with small farmers vehemently opposed to slavery's expansion. Abraham Lincoln publicly stated his support while president-elect, stating, "In regards to the homestead bill, I am in favor of cutting the wild lands into parcels, so that every poor man may have a home." He made good on his promise by signing the Homestead Act into law on May 20, 1862.

In order to make the farms more efficient and to help industries develop new and better equipment, as well as provide opportunities for students in the "industrial classes," in 1862 Congress passed the Morrill Act (Land-Grant Colleges Act), by which each state was granted land for the purposes of endowing Agricultural and Mechanical (A and M) colleges. The purpose of the act was "to teach such branches of learning as are related to agriculture and the mechanic arts." This unprecedented national investment in higher education also required instruction in military tactics.

Another major initiative was the Pacific Railway Act, approved by President Lincoln on July 1, 1862. The transcontinental railroad linking the East and West had, like the homestead bill, been heavily debated by pre-war Congresses. Southerners wanted a railroad built along a southern route. Northerners, not surprisingly, wanted a Northern route. Once Southerners left Congress at the outset of the war, Republicans passed legislation that actually dictated a so-called "middle route" with an eastern terminus at Omaha and a western one at Sacramento. The construction of the first transcontinental railroad meant jobs for thousands in factories producing tracks and tools as well as those that labored for years to lay the tracks across rough terrain. It also meant the literal and symbolic linking of East and West (to the exclusion of the South) and decreased travel times for passengers and goods. It improved commercial opportunities, the construction of towns along both lines, a quicker route to markets for farm products, and other economic and industrial changes.

During the war, Congress also passed several major financial bills that forever altered the American monetary system. The Legal Tender Act authorized the federal government to print and use paper money, called "greenbacks," to pay its bills and finance the war. Even though greenbacks were not backed by similar amounts of gold and silver, creditors were required to accept them at face value. By the end of the war, the government had printed over \$500 million

in greenbacks, and the American financial system's strict reliance on transactions in gold or silver ended. The National Bank Act created a national banking system to reduce the number of notes issued by individual banks and create a single federal currency. The Internal Revenue Act eased inflation primarily by placing excise taxes on many luxury items such as tobacco and jewelry. More famously, the first U.S. income tax was imposed in July 1861, at 3 percent of all incomes over \$800 up to 10 percent for incomes over \$100,000 to help pay for the war effort.

For better or worse, the political philosophies underlying the creation of the Confederate States of America, with its emphasis upon a strong state and a weak central government, coupled with its vast investments in a slave-labor-based agricultural economy, meant that the South had neither the ability nor the desire to develop the kind of industrial economy or centralized financial system required to sustain a "modern" war. By contrast, the Union's willingness and ability to vastly increase the influence and footprint of the federal government not only contributed directly to its military success in the war, but it also transformed many other areas of national life, including industrial, economic, agricultural, mechanical, and financial realms. Simply put, the United States of America would be a very different nation today than had the war never been fought. If we are truly the world's last remaining superpower, then it is, at least partially, the massive industrial and economic expansion enabled by the Civil War that allowed us to ascend to that role in the first place.

This essay is taken from *The Civil War Remembered*, published by the National Park Service and Eastern National. This richly illustrated handbook is available in many national park bookstores or may be purchased online from Eastern at [www.eparks.com/store](http://www.eparks.com/store).  
**(<http://www.eparks.com/store/product/88361/%2AThe-Civil-War-Remembered/>)**

## **National Parks with Relevant Major Resources Related to the Industry and Economics**

C&O Canal National Historical Park, Fredericksburg and Spotsylvania National Military Park, Governor's Island National Monument, Harpers Ferry National Historical Park, Mammoth Cave National Park, Springfield Armory National Historic Site, Richmond National Battlefield Park, Shiloh National Military Park

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