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Confederate Delusions: “King Cotton” and the Dream of Intervention

SHANE HAPNER

HST 4650: Civil War, Spring 2015

Nominated by: Dr. Drew Swanson

Shane is a senior majoring in History with a focus on early-modern European history. He tends to focus on diplomatic and political history. He states that this is his first paper “outside that aegis.”

Shane notes:

I’m not fond of American history, and from the start of this project, I consciously made every effort to tie in European perspectives to increase my interest. This required my topic to be economic; however, it is the first paper of that kind I’d written, and it necessitated a use of microfilm sources for the figures I required. This paper, therefore, represents a synthesis of political, economic, and diplomatic perspectives.

Dr. Swanson notes:

Mr. Hapner’s research paper examines the Confederacy’s efforts at cotton diplomacy in France and Britain during the Civil War. Although the subject is a familiar one to historians of the conflict, he managed to find a fresh interpretive angle (an astonishing thing for an undergraduate to do). This essay argues that on the eve of the war a southern economist had artificially inflated European dependence on southern cotton by cleverly misreading export statistics, and that the resulting report influenced Confederate officials and diplomatic policy. In addition to its novel argument, the paper is well written, logically organized, and grounded in a solid secondary source base. In sum, it is graduate-level work.

In 1858, in the midst of the crisis that was Bleeding Kansas, James Hammond of South Carolina took the floor of the Senate and delivered a pro-slavery speech which would prove to be eerily prescient. As was common at the time, much of the discourse was devoted to reminding the North that the South had shouldered many burdens for the Union and had only been dishonored in the process, but Hammond took his argument further. In fact, Hammond went on to threaten the Union with the dangers of secession in a very unique way: economically.

Hammond's speech has since been termed the "King Cotton" speech, and for good reason. Hammond reminded his northern brethren that the South had bountiful exports which the North could not hope to match—exports that totaled 185 million dollars for the South compared to 95 million for the North—in his estimation. Chief of this export bounty was cotton, a staple to which Hammond fixed nigh-mythic power. "What would happen if no cotton was furnished for three years?" he asked. "England would topple headlong and carry the whole civilized world with her, save the South. No, you dare not make war on cotton. No power on earth dares to make war upon it. Cotton *is* King."¹

Couched in Hammond's threats were two assumptions which were inherent to most southerners, assumptions that would ultimately be reflected in the Confederacy's foreign policy. Southerners believed that cotton was a trade good which no industrialized nation could do without, and that the South was the only region on the planet which could produce the high-quality cotton that European mills demanded. As the dominant suppliers of cotton both by weight and quality, southerners were certain that European nations would be forced to support them or risk internal upheaval, and southerners were confident that the latter was a non-option. Europeans would declare war to protect cotton because protecting cotton was tantamount to protecting themselves.

This was the myth of King Cotton, and one source of the Confederacy's false hope, as war with the Union dragged on. Confederates believed they would find eager allies in Europe who would scramble to recognize the Confederate government and mediate the conflict with the North; neither hope would prove

¹ James Henry Hammond, "Speech of Hon. James H. Hammond, of South Carolina, On the Admission of Kansas, Under the Lecompton Constitution: Delivered in the Senate of the United States, March 4, 1858," Washington, D.C., 1858, <http://www.americanantiquarian.org/Freedmen/Manuscripts/cottonisking.html> (last accessed April 2, 2015).

true. The Confederacy's trade efforts and foreign policies floundered and failed because the South, as a whole, attached too much importance to their cotton on the world market.

Confederate economic expectations for their nation post-secession were varied but generally tended to be positive. Hammond himself believed that the North had traditionally held a monopoly on direct trade and tariff revenues which had hamstrung the South. In his view, the agrarian South would actually be more economically viable, once independent, compared to a North which would still be reliant on raw materials for manufacturing.² This view was not wholly unreasonable at the time; 1858-1860 had been a boom period which saw southern cotton production grow by 20-30% over the pre-1858 average.³ While this did contribute to southerners overestimating the strength of their economy in the long-term, it also created a great deal of optimism for new Confederates. Their economic expectations were high, and, so too, were their expectations for recognition based on that economic strength.

In many ways, even in spite of an overestimation of their economic might, Confederates had legitimate reason to expect recognition. The Confederacy was one of the only nations on the planet which grew large quantities of medium-staple cotton, a type of cotton which British Member of Parliament (MP) J.B. Smith claimed, "we [Britain] need a far larger supply of... than of any other."⁴ As it would happen, the Confederacy was very happy to oblige Mr. Smith, and proceeded to produce an overabundance of the material. In 1860, the Confederacy produced 68.75% of all cotton imported by industrialized nations, including the United States.⁵ For that same year, 69.55% of Great Britain's cotton—and almost all of its medium-staple imports—came from the South, and France received over 90% of its cotton from the South.⁶ If the principles behind King Cotton economics were sound, recognition seemed assured—but were those principles sound?

² Hammond, "Speech on the Admission of Kansas."

³ George McHenry, "A Paper Containing a Statement of Facts Relating to the Approaching Cotton Crisis," 1864, *Confederate Imprints*, Microfilm, 23.

⁴ J.B. Smith as quoted in George McHenry, *The Cotton Trade: Its Bearing upon the Prosperity of Great Britain and Commerce of the American Republics, Considered in Connection with the System of Negro Slavery in the Confederate States* (1864; repr., NY: Negro Universities Press, 1969), 93-94.

⁵ McHenry, *The Cotton Trade*, 59.

⁶ McHenry, *The Cotton Trade*, 50; Howard Jones, *Blue & Gray Diplomacy: A History of Union and Confederate Foreign Relations* (Chapel Hill, NC: The University of North Carolina Press, 2010), 16-17.

There was a great deal of hope for the Confederacy in King Cotton, but the southern situation post-secession required caution, something the Confederate government never fully grasped. Those who believed in King Cotton almost universally believed that the power of cotton alone, without government interference or encouragement, could force diplomatic recognition. These proponents missed or ignored certain warning signs which indicated that the issue at stake was greater than merely waiting for Britain to collapse into anarchy; from the very beginning, there was a question of whether Britain or France would suffer a cotton shortage at all.

The Confederacy initially failed to recognize that the same cotton boom of 1858-60 which had increased confidence in the southern economy was a double-edged sword. While it had greatly improved the finances of individuals within the Confederacy, it had a damaging effect on King Cotton diplomacy abroad by providing Great Britain and France with a significant surplus of cotton that could last them for several years. King Cotton inherently relied upon the pressures of a cotton shortage forcing recognition but with the reserves that were available to them, Britain and France suffered no significant shortage until 1862.⁷ Failure to recognize the dangers of the cotton surplus would eventually come back to haunt early Confederate attempts at diplomacy with Britain and France.

In the same vein, the 1858-1860 boom also led Confederates to overestimate their production power on the world market. In his 1863 book on the cotton trade, George McHenry, a southern planter and expert on the world cotton economy, listed a series of figures which placed Confederate cotton production in 1860 at 68.75% of total world cotton production.⁸ In his special report to the Confederate Congress one year later, McHenry published averages from the years 1851-1860. These averages are unimpressive alone, but when compared to McHenry's figures for the Confederacy's share of the world cotton market in 1860, they reveal exactly how much the boom shifted perceptions of the Confederacy's cotton dominance. According to McHenry, the Confederacy's average cotton production for the years 1851-1857 was 3,090,943 bales, or approximately 1.42 billion pounds per year. For the years 1858-60 the Confederacy produced an average of

⁷ Gene Dattel, *Cotton and Race in the Making of America: The Human Costs of Economic Power* (Chicago, IL: Ivan R. Dee Publishers, 2009), 74.

⁸ McHenry, *The Cotton Trade*, 59.

4,061,112 bales, or 1.86 billion pounds of cotton per year.⁹ The world average for cotton production in 1860 was therefore inflated by over 445 million pounds when compared to pre-boom averages; the Confederacy commonly held only 61.62% of the total share, not the 68.75% that the 1860 figures would suggest. Even more damningly, the South lost 26.99% of its gross cotton exports if pre-boom figures were consulted. Southerners who counted on boom-time production as an accurate estimation of the Confederate average grossly overestimated their new nation's power on the market; the Confederacy still exported the majority of the world's cotton supply, but their share of that supply was generally closer to one-half than two-thirds.

McHenry's analyses unveiled an additional problem, one that Confederates were aware of but generally dismissed: the possibility of new or increased cotton production elsewhere in the world. If southerners thought expansion of cotton cultivation was a serious issue it would no doubt have been considered the foremost threat to the success of the King Cotton strategy, but they largely believed that there was no danger of Britain or France gaining more than a pittance of cotton from new sources. McHenry flatly dismissed the possibility of new cotton growth abroad by arguing that the world market was already saturated. Considering that the Confederacy, the producer of the majority of the world's cotton, was under a Union blockade at the time of his writing, his assertion seems foolish. Nevertheless, McHenry insisted that there was no threat, even if the world was not at market saturation. Rather, he maintained there would be no new cotton production due to labor and land shortages. India, Egypt, Brazil, and Mexico—the four primary producers of cotton aside from the Confederacy—were already producing as much as their land could sustain, and African production was a non-issue, because Africa lacked, according to McHenry, the “directing hand and system of the white race,” which was “absolutely indispensable” for producing cotton.¹⁰

Contrary to Confederate hopes, Britain had been looking into alternative zones of cotton production even before the Civil War, with some success. In January of 1860, British MP Lord Brougham made a speech advocating increased cotton production in the British West Indies, as well as along the coast of Africa.¹¹ In the very same session of Parliament, MP Lord Overstone went even further and asserted that it was “a

⁹ McHenry, *Approaching Cotton Crisis*, 23.

¹⁰ McHenry, *Approaching Cotton Crisis*, 13-16; McHenry, *The Cotton Trade*, 58.

¹¹ McHenry, *The Cotton Trade*, 66.

serious matter to have for the supply of [cotton] only a single source,” and suggested that “no efforts [should] be omitted... to promote every rational enterprise for the supply of cotton in every quarter where it could be obtained.”¹² Confederate assertions that cotton growth was at its maximum soon proved unfounded, for British importation of cotton from other quarters, especially India, increased rapidly as the war progressed.¹³

In spite of these difficulties, it must be understood that the Confederacy was still in a strong position when war with the Union broke out. The '58-'60 boom was harmful for the South, both because its overproduction helped to shield Britain and France from cotton shortage and because it encouraged southerners to believe in King Cotton diplomacy unconditionally. Neither of these obstacles was insurmountable, however; the only potential immunity to King Cotton for Britain and France lay in new sources of production, or in convincing the South to sell its cotton. The former took time to implement which the Confederacy could exploit, and so long as the Confederacy was in a stable position financially, the latter was no threat.

Unfortunately for the Confederacy, it was not in a stable financial position. When the South seceded, several states defaulted on their foreign and domestic debts in preparation for the upcoming war, a policy Confederate president Jefferson Davis supported. Further, because the Confederate Federal government refused to levy taxes or repay its debts with the limited amount of specie it possessed, early-war debts were paid by debt-issue loans which were eventually repaid in devalued treasury notes. This policy was undertaken based on the belief that cotton was a better financing method than specie, but the decision backfired for the Confederacy. Rather than serving to bolster finances, the defaulting and renegeing of debt served to create the impression abroad that the South was a mighty nation agriculturally, but a weak one financially. Investors had very low confidence in the South after it defaulted on its state debts and reneged on its initial promises to repay its debt-issue loans with specie. Consequently, the Confederacy had serious issues attempting to secure loans from foreign investors even within the first year of its existence, when it was financially strongest.¹⁴ For King Cotton diplomacy to succeed, then, the South needed to survive the war with its very limited financial

¹² Lord Overstone as quoted in McHenry, *The Cotton Trade*, 67.

¹³ Dattel, *Cotton and Race*, 174; McHenry, *Approaching Cotton Crisis*, 10.

¹⁴ Marc Weidenmier, “Gunboats, Reputation, and Sovereign Repayment: Lessons from the Southern Confederacy,” *Journal of International Economics* 66, no. 2 (July 2005): 408-411.

capacities while it waited for Britain and France's cotton surplus to evaporate. While this undoubtedly represented a difficult prospect, if the Confederacy could survive the lure of exporting cotton to fund its war effort, King Cotton would almost certainly bring Britain and France to their knees.

As it would happen, however, the Confederate government post-secession was not very disposed to believe anything other than the strictest interpretation of King Cotton. Its only real foreign policy concern was acquiring recognition, in the hopes that "loans... military and economic assistance, [and] perhaps even an alliance" would inevitably follow.¹⁵ Jefferson Davis and other high-ranking Confederate representatives were not aware of, or chose to ignore, the warning signs associated with King Cotton, and instead chose to buy into the theory unconditionally. They boasted that cotton was not merely King in America, but also in Britain, and that its sway held dominance even over Victoria. This arrogance alienated the audience that they meant to court; British newspapers blasted the Confederacy for thinking that Britain would be so base as to ally themselves with slave owners just for cheaper cotton.¹⁶ The Confederacy had made its first of many missteps in implementing King Cotton as a strategy.

The South's next error lay in the nature of its diplomatic envoys to Britain and France. Rather than choose qualified diplomats to begin talks, the South sent political appointees, firebrands, and personal friends of Jefferson Davis. These diplomats were decried even in the Confederacy as being some of the worst of what they had to offer in a diplomatic mission; diarist Mary Chestnut called chief diplomat William Yancey a "common creature," and British consul Robert Bunch claimed that assistant diplomat Ambrose Mann was a "nobody."¹⁷

The Confederacy committed another blunder immediately afterwards by giving this new diplomatic corps no power to negotiate. Although they were sent to Europe to gain recognition, Richmond believed that recognition was inevitable on the principle of King Cotton and that the diplomats were a mere formality. The Confederate government believed that giving their diplomats negotiating powers might serve to entrap the Confederacy in foreign entanglements from which it would be unable to break free. More than just

¹⁵ Jones, *Blue & Gray Diplomacy*, 11.

¹⁶ Jones, *Blue & Gray Diplomacy*, 13.

¹⁷ Mary Chestnut and Robert Bunch as quoted in Jones, *Blue & Gray Diplomacy*, 16-17.

hindering any real negotiations with European powers, this handicapped diplomatic team revealed something critical to the European powers: the Confederate leadership was naïve to a fault, and clueless when it came to foreign diplomacy.¹⁸

The Confederacy expected that their diplomats would arrive in Britain and secure recognition within a matter of months, but to the British this was just another example of southern arrogance. The Confederacy not only overestimated their cotton's influence on the British state, but also the complex situation in Britain which made Prime Minister Palmerston's government hesitant to enter into a potential war with the Union. Chief among Palmerston's concerns was a potential Union invasion of Canada following recognition, but this was by no means London's only fear.¹⁹ Another serious concern for the British government lay in the potential for French Emperor Napoleon III to run amok on the continent if Britain became involved in the squabble between the Union and Confederacy. While the Confederacy was certain Britain would act speedily, Britain's cotton reserves allowed them to put off making a serious commitment for several years. During this time, the British government gradually came to the conclusion that they would not move without France moving jointly, a policy Britain would stand behind for the duration of the conflict.²⁰ Recognition had just become that much harder for the Confederacy: they had not only been rebuffed in their initial attempts but now had to convince two powers to recognize them, not merely one.

After several months had passed and the British had continually refused to recognize the Confederacy, the honeymoon period of King Cotton had worn off. Confederates were still convinced that the principles behind King Cotton diplomacy were sound, but that they now needed state control of cotton exports to pressure Britain further. This placed the Confederacy in an awkward position, however; as an ostensibly small-government state which was attempting to establish initial relations with European nations, instituting a legal embargo on exporting cotton would not only violate its principle of state's rights, but also cause a great deal of diplomatic tension with Europe.

¹⁸ Jones, *Blue & Gray Diplomacy*, 19-21, 85-86, 115.

¹⁹ Dattel, *Cotton and Race*, 177.

²⁰ Jones, *Blue & Gray Diplomacy*, 59-60.

The solution to this quandary was a nation-wide voluntary cotton embargo--something Richmond hoped would not be published in European presses while still proving an effective enticement for British intervention. Unfortunately for the Confederacy, this was just another in a long set of false hopes. Confederate planters proved resistant to cooperating with measures that would dig into their bottom-line, and another crack in the embargo emerged when the South was forced to begin using state-owned cotton as a trade material for arms in 1862.²¹ The voluntary embargo did block enough cotton that British and French textile industries came dangerously close to collapsing in late 1862, but soon enough the Confederacy's self-imposed embargo broke down.²² What loans the South could float faltered in early 1863, and the Confederacy was forced to lift the embargo and begin using large amounts of state-owned cotton as collateral for loans necessary to the war effort.²³ The voluntary embargo proved to be too little, too late; with the opening of state-owned cotton financing, the dream of King Cotton collapsed.

From the very beginning, the Confederacy overestimated its cotton's importance on the world market. When it came time to be diplomatic, or to use cotton as a bargaining chip, the South believed that the crop would do all the necessary work, and proved highly resistant to taking the steps necessary to make King Cotton diplomacy work. Confederate citizens likewise ignored signs that suggested that King Cotton was not as powerful as they wanted it to be; this included dismissing the possibility of increased cotton growth in regions like India and Egypt, territories which would later prove to be the major suppliers for Britain and France during the conflict. In the end, the Confederacy believed itself to be the world's one vital supplier of cotton, but failed to be diplomatic in its approach, or to make Great Britain and France sympathetic to its cause. The Confederacy was an arrogant and politically difficult nation to align with; consequently, Britain and France opted to find cotton alternatives during the conflict rather than support the Confederacy.

²¹ Weidenmier, *Gunboats*, 411-412; Dattel, *Cotton and Race*, 193.

²² Dattel, *Cotton and Race*, 174.

²³ Weidenmier, *Gunboats*, 412-415.

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