Posner, Richard A. "A Theory of Primitive Society, with Special Reference to Law." *Journal of Law and Economics* 23 (1980): 1–53.
Said, Edward. *Orientalism*. New York: Vintage Books, 1978.
von Grunebaum, Gustave E. *Medieval Islam: A Study in Cultural Orientation*. Chicago: University of Chicago Press, 1966.
Weber, Max. *Economy and Society: An Outline of Interpretive Sociology*. Berkeley: University of California Press, 1978.

Missouri's Hidden Civil War: Financial Conspiracy and the End of the Planter Elite, 1861–1865

This dissertation describes a previously unknown financial conspiracy that occurred in Missouri at the beginning of the Civil War. The scheme backfired, causing much collateral damage to the state's pro-Confederate citizens, and setting off a chain of events that permanently altered the state's political economy. This episode contributes new data to several larger questions of Civil War history, including the nature of wartime guerrilla violence in the border states, and postwar leadership persistence in the New South. The events in Missouri were atypical in that they set off a chain of disastrous consequences for the state's pro-Confederate population. But the funding scheme was typical of how both the northern and the southern forces armed at the beginning of the war. I have found that early in the conflict, before institutions were in place to fund such a large-scale war, states passed various laws to encourage communities and private citizens to supply the new military units.

In early 1861 pro-Confederate militia units formed throughout Missouri to defend the state's expected secession. To arm the volunteers, a group of senior state politicians and bankers secretly plotted to divert money from Missouri's banks and the state treasury. After secession, this group, led by the newly elected governor, planned to repay the banks through a sale of state bonds. Except that they had to act in secret, the Missourians' plan closely matched measures lately taken by the Alabama state government to arm its own volunteers.[1] Preemptive Union military strikes in May and June of 1861 overturned the Missouri state government and ended the original plan.

Missouri's bankers were willing to provide the money, but after mid-June the pro-secession state government was in flight from federal forces. Acting independently, branch bankers in the interior of the state then mounted what was in effect a giant check-kiting scheme, making thousands of unsecured loans to leading pro-Confederate citizens in their communities. These men, most often the bankers' own relatives, then channeled the money to the volunteers. These actions amounted to a massive fraud perpetrated against the banks' other creditors. The bankers granted over 2,800 such loans in 41 counties in central and western Missouri, more than a third of the state.

Mark Geiger is Postdoctoral Fellow, Minnesota Population Center, University of Minnesota, 50 Willey Hall, 225 19th Avenue South, Minneapolis, MN, 55455-0428. E-mail: mgeiger@umn.edu.

This dissertation was completed in 2006 in the Department of History at the University of Missouri-Columbia under the direction of professors LeeAnn Whites (chair), Susan L. Flader, Theodore Koditschek, Ronald Ratti, and Robert E. Weems Jr.

[1] Smith, History, pp. 37–40, 405–12. Acts (Alabama), pp. 9–11, 16–17, 41–48.

Most of the state's branch banks joined in this lending, which totaled about three million dollars. This was a huge sum of money when the latest military sidearm, a Colt Army model .44, sold for $13.75.

Bankers and borrowers alike expected the South to win quickly, and Missouri's Confederate state government-in-exile pledged to underwrite the costs of the war. With this supposed safety net in place, the borrowers signed for far more money than they could repay, and the bankers drained their institutions of cash. The costs of this gamble became clear late in 1861 when Union military authorities began purging pro-Confederate bankers, which meant nearly all the bankers in the state. Most of the bankers resigned, some fled, and a few were imprisoned or shot. Union men took control of the banks, and filed civil lawsuits to recover on the defaulted loans. Thousands of pro-Confederate Missourians were suddenly liable for massive debts that they had thought the Confederate government would assume.

The defendants in the lawsuits proved to be many of the state's wealthiest and most prominent pro-Confederate citizens and their extended kinfolk. After mid-1862 judgments arising from the lawsuits caused mass insolvency in this elite group, which had dominated the state's business and politics for decades. Eventually, county sheriffs auctioned over 600,000 acres of farmland to satisfy the court judgments. Damage from the lawsuits probably extended beyond the original borrowers. There were no bankruptcy laws, state or federal, in force that could have scheduled an orderly payment of debts. Insolvency could spread from house to house, like a fire. The leading families' economic, social, and kinship relations were so intertwined that whole extended family networks went down at once. The litigation created a revolution in landownership that decapitated the state's southern society. Today a subaltern southern culture survives in Missouri, but little remains of a traditional southern aristocracy, unlike in other former border slave states such as Kentucky and Maryland. Many of these newly landless families emigrated. Most settled in the western territories, but some scattered as far as Brazil and Mexico.

This entire episode—from the early conspiracy through the land sales to the eventual impact on emigration—was overlooked by previous researchers. Many primary sources, such as newspapers, are either absent or scanty. Also, multiple obstacles, beginning with geography, both mask and impede access to surviving evidence. The most important primary-source data—the court records—are scattered over a region the size of West Virginia. The pattern of illegal lending, however, only emerges through examining large numbers of defaulted-debt cases, which are buried among other case records. I noticed the evidentiary traces because I once managed an audit department that investigated fraud.

As a further turn in this story, the indebtedness also helped to fuel the guerrilla war that raged in Missouri from mid-1862 on. This was the worst such conflict ever to occur on American soil, and is an aberration in American history that has never been fully explained. My dissertation shows that a disproportionate number of the young men from these dispossessed families joined the guerrilla bands, making common cause with desperate and violent men from the bottom of society. Many guerrillas later turned to banditry, most famously the James-Younger gang. The violence so disrupted civil society that conditions did not settle down for nearly two decades after the war. In the 1870s eastern newspapers called Missouri "the robber state."

Besides court papers, the available primary sources used for this study are financial data, genealogical information, and military and legislative records. After locating the data, which was itself a problem, most of the research consisted of coding, linking, and analyzing several thousand records. Relational database software proved an essential tool for mapping complex connections between data. In retrospect, I realize that historical GIS—geographical information systems—would have been useful. In the completed book manuscript, I will try to suggest ways to integrate the use of some of the newer software tools with more standard methods of historical analysis.

A byproduct of the dissertation research is an extensive set of financial statistics for Missouri's banks for the period 1859 to 1865. To judge the different banks' involvement in the debt scheme, I created standard financial statements from data published in contemporary newspapers. Totaling these accounts to create industry-wide statistics, I calculated longitudinal series of 31 different measures of financial performance, including ratios for liquidity, profitability, and leverage. These data now compose the most complete set of financial measures anywhere for an entire state's banking industry immediately before and during the Civil War, and may prove useful for other researchers.

Looking beyond this melodramatic story, the financing episode contributes to our understanding of several larger questions of Civil War history. Within Missouri, the fallout from the financing helps explain the otherwise puzzling anomalous intensity of the guerrilla conflict as well as the absence of an aristocratic tradition in contemporary Missouri. Also, by destroying Missouri's southern leadership, the mass indebtedness contributed to the postwar redrawing of sectional boundaries. Missouri is the only state considered southern in 1861 that is no longer so classified.

In the larger history of the war, these findings show a pattern of Civil War financing used in both sections that other scholars have not previously studied. All over the country, private citizens and communities used the same bootstrap financing methods to arm their young men. Only in Missouri (and part of Kentucky), however, did the scheme backfire on its organizers, owing to Missouri's status as a border state.[2] Historians have written extensively about Civil War military supply and procurement, but such studies focus on the actions of governments.[3] However, through most of 1861, governments North and South lacked the legal authority and the administrative capacity necessary for military mobilization. Without private financing in this transitional period, the shooting war would have been delayed, perhaps by months.

The grassroots financing of 1861 was also an important milestone in transforming the United States from a state of courts and parties, in Stephen Skowronek's phrase, into a modern administrative state.[4] Before the Civil War, the nation's standing army was minuscule, with a supply capacity to match. Mobilization for all the nation's early wars relied heavily on private financing; by law, state militia and volunteers largely equipped themselves. State governments used various means to compensate private citizens for these expenses, treating them as loans made to the state.[5] If a war lasted

[2] Seven counties in Kentucky's Bluegrass and Purchase regions, areas of strong Confederate sympathies, had more than ten defaulted-debt cases of the same sort that are found in Missouri. The three counties with the most such cases are Fayette and Franklin, both in the Bluegrass Region, with 139 and 42 cases respectively. McCracken County, in the Purchase region, had 49. Kentucky Department for Library and Archives, Frankfort, Kentucky.

[3] The most recent book on this topic is Wilson, *Business*.

[4] Skowronek, *Building*, pp. 1–6, 24–31, 39–41. Skowronek in fact argues that this transformation took place later, in response to industrialization. But unlike most other Civil War–era institutional innovations, centralized military procurement remained in place after the war.

[5] The following are four examples of the many state laws passed in 1861 to encourage private initiatives. In January, the South Carolina legislature granted corporate charters to early volunteer companies. Legally, these companies were then corporations, able to borrow money in their own names (and to be sued for repayment, if necessary). Acts (South Carolina), 867–69. In May, Illinois and Iowa created review boards to pay expenses incurred by private citizens to

long enough, the government would provide replacement equipment. This reliance on private credit worked well enough for the nation's early wars, which were low-tech and limited, but was inadequate for the challenge facing the nation in 1861. On 1 December 1860, U.S. forces numbered 16,000. By the end of the month a half million men in the northern states alone had volunteered for military service. By 1865 the Union Army had a million men under arms.[6] Private financing could equip the newly formed military units initially, but it could not support them in the field. After 1861 the U.S. War Department took responsibility for all matters of military supply, making a permanent change in the nation's means of war.[7]

The events in Missouri bear on another question of nineteenth-century U.S. political economy, that of the market revolution in the antebellum period. This idea has never gained much traction among economic historians, but there is evidence that social attitudes and relations underwent a major change before the Civil War.[8] Here, we can compare the actions of the bankers in Missouri to those of the Confederate bankers in New Orleans, the latter much more tied in to the national economy than the Missourians. In the crisis of 1861, the Missourians handed over all the banks' money to their relatives. The New Orleans bankers, on the other hand, insisted on honoring their commitments to northern creditors. They held to this position throughout the war, despite their own political convictions, adverse public opinion, and pressure from the Confederate government. The actions of the New Orleans bankers clearly show the importance they placed on preserving their institutions' capital, reputation, and business commitments. In short, the New Orleans bankers acted like modern managers.[9]

The different behavior of the New Orleans and Missouri bankers stems, I believe, from the degree of penetration of market culture and values in the two places. New Orleans had been the South's banking center for decades, and the city's bankers had long-term relations with their counterparts in the North and in Europe. There, banking was becoming increasingly professionalized, governed less by personal relations and more by codes of conduct mutually accepted by relative strangers. The articles published in *Bankers Magazine and Statistical Register*, a trade journal published in Boston since 1845, show this trend. *Bankers Magazine* devoted most of its space to telling its readers how to handle problems arising from secured transactions, individual liability, assignments, crop liens, and other complex issues.[10] For the money-center banks, consensual interpretations of difficult issues were indispensable when thousands of miles might separate the different parties to transactions.

---

help raise troops. Public Laws (Illinois), p. 22. Acts (Iowa), p. 9. In December, Georgia passed a law allowing volunteer companies to organize and make a financial claim on the state. Acts (Georgia), p. 52.

[6] Stamp, *War*, p. 90. Huston, *Sinews*, p. 175.

[7] During the Civil War, the War Department's performance frequently did not live up to its intentions. Soldiers often had to supplement, either legally or illegally, what the government issued them.

[8] See, for instance, Appleby, *Capitalism*; also Watson, "Slavery"; and Clark, "Consequences." The related question of uneven development is of much current interest in history and adjacent fields, and was the theme of the 2008 American Historical Association Annual Meeting.

[9] Marler, "Rural Merchants," pp. 176–79.

[10] For example, "Duties and Liabilities of Bankers to their Dealers in Collecting Paper," Bankers Magazine (January 1861), pp. 505–12; "Causes of Bank Failure," ibid. (July 1861), p. 1; "Liabilities of Officers and Directors," ibid. (July 1860), p. 1; and "Individual Liability," ibid. (December 1860), p. 422.

The Missouri bankers had no such body of professional lore or experience to draw on. In January 1857 Missouri had one chartered (currency-issuing) bank with six branches. Four years later there were nine banks with 42 branches.[11] Such rapid expansion meant that few of the new bankers, who by 1861 were doing business with New Orleans, New York, London, and Liverpool, had prior industry experience. Most of Missouri's bankers had been successful merchants, and they managed the new banks like conventional mercantile partnerships. In this way, Missouri's new banks resembled the banks of 30 years before in industrializing New England. In both places, the banks were extended-family businesses with a core of officers, principal shareholders, and customers with close personal and family ties. While these banks had outside shareholders and customers, the in-group took priority.[12] But merchants are not trustees and bankers are, in that they have the care of assets they themselves do not own. This was a critical difference in 1861. The New Orleans bankers compartmentalized their business and personal lives, following the modern Wall Street saying, that money is thicker than blood. The Missourians were not there yet.

[11] Cable, "Bank," p. 219.
[12] Lamoreaux, *Insider Lending*, pp. 1–4, 22–28, 48–51, 84.

MARK W. GEIGER, *University of Minnesota, Twin Cities*

REFERENCES

Acts of the Called Session of the General Assembly of Alabama, Held in the City of Montgomery, Commencing on the Second Monday in January, 1861. Montgomery, AL: Shorter & Reid, State Printers, 1861.

Acts and Resolutions Passed at the Extra Session of the Eighth General Assembly of the State of Iowa, Which Convened at the Capitol in Des Moines on Wednesday, the 15th Day of May, 1861. Des Moines, IA: F. W. Palmer, State Printer, 1861.

Acts of the General Assembly of the State of Georgia, Passed in Milledgeville, at an Annual Session in November and December, 1861. Milledgeville, GA: Boughton, Nisbet & Barnes, State Printers, 1861.

Acts of the General Assembly of the State of South Carolina, Passed in November and December, 1860, and January, 1861. Columbia, SC: Charles P. Pelham, State Printer, 1861.

Appleby, Joyce. Capitalism and a New Social Order: the Republican Vision of the 1790s. New York: New York University Press, 1984.

Bankers Magazine and Statistical Register.

Cable, John R. "The Bank of the State of Missouri." In *Studies in History, Economics and Public Law*, vol. 102, no. 2. New York: Columbia University Press, 1923.

Clark, Christopher. "The Consequences of the Market Revolution in the American North." In *The Market Revolution in America: Social, Political, and Religious Expressions, 1800–1880*, edited by Melvyn Stokes and Stephen Conway. Charlottesville: University Press of Virginia, 1996.

Geiger, Mark W. "Missouri's Hidden Civil War: Financial Conspiracy and the Decline of the Planter Elite, 1861–1865." Ph.D. diss., University of Missouri, 2006. http://edt.missouri.edu/Winter2006/Dissertation/GeigerM-050406-D4430/.

Huston, James A. *The Sinews of War: Army Logistics 1775–1953*. Washington, D. C.: Office of the Chief of Military History, United States Army, 1966.

Lamoreaux, Naomi R. *Insider Lending: Banks, Personal Connections, and Economic Development in Industrial New England*. New York: Cambridge University Press, 1994.
Marler, Scott. "Rural Merchants and Consumers in a New South Louisiana, 1840–1940." Ph.D. diss., Rice University, 2006.
Public Laws of the State of Illinois, Passed by the Twenty-Second General Assembly, Convened January 7, 1861. Springfield, IL: Bailhache and Baker, Printers, 1861.
Skowronek, Steven. Building a New American State: The Expansion of National Administrative Capacities, 1877–1920. New York: Cambridge University Press, 1982.
Smith, William R. *The History and Debates of the Convention of the People of Alabama: Begun and Held in the City of Montgomery, on the Seventh day of January, 1861: In which is Preserved the Speeches of the Secret Sessions, and Many Valuable State Papers*. Montgomery, AL: White, Pfister & Co., 1861.
Stamp, Kenneth. *And the War Came: The North and the Secession Crisis, 1860–1861*. Baton Rouge: Louisiana State University Press, 1950.
Watson, Harry L. "Slavery and Development in a Dual Economy: The South and the Market Revolution." In *The Market Revolution in America: Social, Political, and Religious Expressions, 1800–1880*, edited by Melvyn Stokes and Stephen Conway. Charlottesville: University Press of Virginia, 1996.
Wilson, Mark R. *The Business of Civil War: Military Mobilization and the State, 1861–1865*. Baltimore: Johns Hopkins University Press, 2006.

Merchants and the Political Economy of Nineteenth-Century Louisiana: New Orleans and Its Hinterlands

It is ironic that the cover of Eric Hobsbawm's classic study of the mid-nineteenth-century "Age of Capital" is adorned by Edgar Degas's famous 1873 painting of New Orleans cotton merchants. Hobsbawm's book elaborated a classical Marxist perspective on the development of industrial production in the core regions of Europe (England, France, Germany) and the northern United States. In this view, industrialism fostered the formation of two new classes defined by their relationships to each another in the nascent economic order: the proletariat, who owned only their own commodified labor power; and the bourgeoisie, a class that owned the means of production and employed wage labor. In the American South, however, the system of plantation slavery suppressed the formation of these two classes, even in metropolitan settings such as New Orleans. In fact, the rather sedentary Crescent City gentlemen depicted in Degas's painting, the use of which was presumably intended to typify the thrust of Hobsbawm's arguments about mid-nineteenth-century industrial change, represented a much older and less dynamic form of wealth based on the extraction of profit from exchange differentials.[1]

Scott P. Marler is Assistant Professor, Department of History, University of Memphis, Memphis, TN 38152-3450. E-mail: spmarler@memphis.edu.
This dissertation was completed under the supervision of John B. Boles at Rice University.
[1] Hobsbawm, *Age of Capital*.