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**The Illicit Trade & Conflict Connection: Insights from  
U.S. History**

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### **The Illicit Trade & Conflict Connection: Insights from U.S. History**

A great deal of scholarly and policy attention has been given in recent years to the relationship between illicit trade and armed conflict. Much of the focus has been on how violent non-state actors have exploited illicit commerce to fund and sustain rebellion. It is commonly asserted that this is a distinctly post-Cold War phenomenon—even a defining characteristic of so-called “new wars.”<sup>1</sup> A frequent argument, for example, is that in the absence of formal external sponsorship from the United States or the former Soviet Union, insurgents have increasingly turned to alternative forms of material support. This includes illicit exports dubbed “conflict commodities,” such as drugs, timber, ivory, diamonds, and so on. Thus, partly thanks to the campaigns of international NGOs such as Global Witness, diamonds from conflict zones in West Africa have been labeled “blood diamonds” (inspiring a James Bond movie and other major Hollywood productions).

Illegal drugs such as opium and cocaine have come to be particularly associated with armed conflict, given their role in ongoing insurgencies in Colombia and Afghanistan. Colombian government officials and their U.S. backers increasingly charge that the FARC guerillas—often labeled “narco-terrorists” or “narco-guerillas”—are driven by drug profits rather than political grievance. Thus, in this case, a political economy argument is used to delegitimize an insurgency. But as the “greed and grievance” debate in the literature has underscored, it is important to differentiate between commodities causing vs. facilitating conflict. And the FARC dates back to the 1960s, before Colombia became a major cocaine exporter.

Much of the attention to the illicit political economy dimensions of conflict is welcome and long overdue—all armed conflicts, after all, have a political economy, and this includes an illicit side. Too often, however, the end result of this new attention has been to distort and exaggerate more than to explain and inform. And the contemporary novelty of the illicit trade and conflict connection tends to be simply asserted rather than empirically demonstrated. What is needed is a more historically informed, nuanced and critical examination of the complex relationship between illicit trade and warfare.

In this brief paper I attempt to “bring history back in” to contemporary debates about illicit trade and conflict by critically examining the early American experience, arguing that illicit commerce and its connection to armed conflict played an

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<sup>1</sup> See Mary Kaldor, *New and Old Wars: Organized Violence in a Global Era* (Stanford: Stanford University Press, 3<sup>rd</sup> ed. 2012).

essential role in the very making of the nation, and that the distinction between a patriot and profiteer was often a blurry one.<sup>2</sup> I focus on three cases: the American War of Independence, the War of 1812, and the American Civil War. In all three cases, illicit trade profoundly shaped the nature, duration, and outcome of the conflict. In the case of the War of Independence, illicit trade successfully supplied the rebellion but also complicated postwar reconstruction. In the case of the War of 1812, illicit trade in the form of “trading with the enemy” extended the conflict, helped to turn it into a stalemate, and subverted U.S. efforts to annex Canada. In the case of the Civil War, illicit cotton exports via blockade running helped to prolong the conflict, allowing the Confederacy to persist far longer than would otherwise have been the case.

### **The smuggling War of Independence and its aftermath**

By definition the rebels in the British American colonies were illicit non-state armed actors. Their story, celebrated in American history books, is well known. Less widely recognized, however, is the central role of illicit non-state armed actors in clandestinely supplying the Continental Army with smuggled arms and other war materials.

A rag-tag force of colonial rebels went to war against the world’s greatest military power. As American General William Moultrie wrote in his memoirs of the Revolution, the colonists rebelled “without money; without arms; without ammunition; no generals; no armies; no admirals; and no fleets; this was our situation when the contest began.”<sup>3</sup> No wonder, then, that the British expressed such smug confidence that their overwhelming military superiority would quickly and easily put down the American rebellion. Indeed, at first glance, the insurgency should have been short lived.

It did not turn out that way. Why not? Smuggling is a crucial part of the answer, and was especially important in sustaining the rebellion before the French finally intervened and tipped the military balance on the ground. The British lost the war in the American colonies for many reasons, including geographic disadvantage and French intervention. But losing the war on smuggling—failing to deter and interdict desperately needed clandestine shipments of arms and other war supplies to George Washington’s forces—played no small role. While at times subverting the Revolution by prioritizing profits over patriotism, illicit traders defying Britain’s wartime embargo ultimately proved to be essential to its success. Colonial

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<sup>2</sup> For a more detailed account, from which this paper draws, see Peter Andreas, *Smuggler Nation: How Illicit Trade Made America* (New York: Oxford University Press, 2013).

<sup>3</sup> William Moultrie, *Memoirs of the American Revolution, so far as it Related to the States of North and South Carolina, and Georgia* (New York: D. Longworth, 1802), I:63-64.

smugglers put their clandestine transportation methods, skills, and networks to good use supplying the insurgency. Part of this simply involved building on previously well-established illicit trading relationships, such as in the West Indies. But it also involved fostering new commercial connections directly with Northern Europe, such as France and Sweden—no easy task in wartime.<sup>4</sup>

From the very start, the Continental Army was in desperate need of clothes, arms, ammunition, food, and other supplies—and with the single exception of food, all required large-scale imports from abroad in violation of the British blockade. This was especially important in the years before France formally entered the war in 1778 (followed by Spain in 1779, and Holland in 1781), tipping the military balance. Most crucial was gunpowder: “the want of powder was a very serious consideration for us;” recounted General Moultrie, “we knew there was none to be had upon the continent of America.”<sup>5</sup> Indeed, there were no powder mills operating in the colonies when the war started.<sup>6</sup> Virtually all of the gunpowder used by the colonists in the first two and a half years of the war had to be smuggled in—mostly from France via the West Indies.<sup>7</sup> Most of these military supplies were exchanged for colonial products, including cod, lumber, flour, tobacco, and indigo. Victory on the battlefield hinged on success in the world of smuggling. Over one hundred different ships reportedly smuggled in supplies during this time period, evading the British warships attempting to blockade the Atlantic coast.<sup>8</sup>

Smuggled gunpowder trickled in ever so slowly. The situation was especially bleak by the end of 1775. On Christmas Day 1775, George Washington wrote: “Our want of powder is inconceivable. A daily waste and no supply administers a gloomy prospect.”<sup>9</sup> Some have argued that if in mid-January 1776 the British had known about the extreme scarcity of gunpowder, they “could have marched out to Cambridge and crushed the newly recruited colonial army” and “thus the revolution would have ended.”<sup>10</sup> The British withdrew from Boston in March 1776, unaware of the anemic condition of the colonial forces. At one point, a thirteen-mile long chain

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<sup>4</sup> Elizabeth Miles Nuxol, *Congress and the Munitions Merchants: The Secret Committee of Trade during the American Revolution, 1775-1777* (New York: Garland Publishing, 1985), 283-286.

<sup>5</sup> Moultrie, *Memoirs of the American Revolution*, I:78.

<sup>6</sup> Neil L. York, “Clandestine Aid and the American Revolutionary War Effort: A Re-Examination,” *Military Affairs* 43, no. 1 (February 1979): 27.

<sup>7</sup> George C. Herring, *From Colony to Superpower: U.S. Foreign Relations since 1776* (New York: Oxford University Press, 2008), 18; Orlando W. Stephenson, “The Supply of Gunpowder in 1776,” *American Historical Review* 30, no. 2 (January 1925): 277, 279.

<sup>8</sup> Stephenson, “The Supply of Gunpowder in 1776,” 279.

<sup>9</sup> See, *The Writings of George Washington: 1775-1776*, ed. Worthington Chauncey Ford (New York: G.P. Putnam’s Sons, 1889), 3:299.

<sup>10</sup> Stephenson, “The Supply of Gunpowder in 1776,” 274.

of colonial sentries around Boston did not have even an ounce of gunpowder.<sup>11</sup> There was also a shortage of arms, including muskets, cannon, pistols, and bayonets. But unlike gunpowder, which had to be perpetually replenished, the arms supply was cumulative, and thus dependence on smuggling channels declined over time. The same was not true of other military-related supplies, however, such as tent materials, clothing, shoes, and blankets, which wore out more quickly, creating chronic shortages throughout the war.<sup>12</sup>

Wartime smuggling blurred the line between patriot and profiteer. Smuggling was both essential to the revolutionary war effort and profitable for the well placed and well connected. Some illicit traders sold smuggled gunpowder and other supplies at highly inflated prices to the Continental Army. The Brown brothers in Providence, for instance, were especially well positioned to profit from the war. Their wartime business ventures included organizing “powder voyages” to France, Holland, and Spain.<sup>13</sup> One account of the Brown family history describes the Revolution as a “personal bonanza” for John Brown, who allegedly emerged from the war as the richest man in Rhode Island.<sup>14</sup> In one deal, he offered a shipment of smuggled pistol powder to colonial forces at a substantial mark up. Desperate for the supplies, Stephen Moylan replied on behalf of George Washington: “The General will take it, though it is a most exorbitant price.”<sup>15</sup>

General Washington denounced such war profiteering, at one point declaring, “There is such a thirst for gain, and such infamous advantages taken to forestall, and engross those Articles which the Army cannot do without, thereby enhancing the cost of them to the public fifty or a hundred pr. Ct., that it is enough to make one curse their own Species, for possessing so little virtue and patriotism.”<sup>16</sup> He urged that merchants should “not take an undue advantage of the Distresses of their Country, so as to exact an unreasonable Price.”<sup>17</sup> Nevertheless, with the colonies

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<sup>11</sup> James. A. Huston, *Logistics of Liberty: American Services of Supply in the Revolutionary War and After* (Newark: University of Delaware Press, 1991), 111.

<sup>12</sup> Nuxoll, *Congress and the Munitions Merchants*, 8-9.

<sup>13</sup> Robert H. Patton, *Patriot Pirates: The Privateer War for Freedom and Fortune in the American Revolution* (New York: Pantheon, 2008), 16.

<sup>14</sup> Charles Rappleye, *Sons of Providence: The Brown Brothers, the Slave Trade, and the American Revolution* (New York: Simon & Schuster, 2006), 210-211

<sup>15</sup> Quoted in, *American Archives: Fourth Series, Containing a Documentary History of the English Colonies in North America from the King's Message to Parliament of March 7, 1774 to the Declaration of Independence of the United States*, ed. Peter Force, (Washington, DC: Published by M. St. Clair Clarke and Peter Force, 1840), 3:1688.

<sup>16</sup> *The Writings of George Washington from the Original Manuscript Sources, 1745-1799*, ed. John C Fitzpatrick, (Washington, DC: United States Government Printing Office, 1936), 13:335.

<sup>17</sup> *The Writings of George Washington from the Original Manuscript Sources, 1745-1799*, ed. John C Fitzpatrick, (Washington, DC: United States Government Printing Office, 1931), 3:459.

sometimes competing with each other for scarce provisions, smugglers could not resist inflating prices and selling to the highest bidder.<sup>18</sup> For instance, Elias Hasket Derby of Salem acknowledged in 1776 that one hundred percent profits could be made on imported items such as gunpowder, cotton, cocoa, and sugar, and that one hundred and fifty percent above normal prices was “more than common” on linens and paper.<sup>19</sup>

Thus, for all the patriotic fervor of the American Revolution, more base economic opportunism was also at work in keeping both civilians and rebel soldiers supplied. And while supplying the Continental Army, smugglers also used this as a cover and opportunity to bring in high value civilian goods: private trade “piggy backed” on supply ships restricted by contract only for military purposes.<sup>20</sup> This was a form of “smuggling within smuggling,” often involving clandestinely importing consumer luxury goods that served no military purpose but were in high demand.

Moreover, the very smuggling interests and practices that kept the Continental Army supplied during the War of Independence would prove to be a daunting challenge for the new republic. Smugglers, who had subverted British rule in the American colonies, would now also subvert government authority in the very nation they helped to create. For some merchants, the popular rallying cry of “no taxation without representation” really meant “no taxation even with representation.” Old smuggling habits and attitudes would prove hard to change. As Massachusetts Representative Fisher Ames described the smuggling challenge in his address to the first U.S. Congress in May 1789, “The habit of smuggling pervades our country. We were taught it when it was considered rather as meritorious than criminal;...”<sup>21</sup>

Illicit trade today is also often blamed for impeding and complicating post-war reconstruction in places such as Bosnia and Kosovo. But long forgotten is that this was also true for the United States in the aftermath of the Revolutionary War. The very smuggling practices that aided the War of Independence turned into an obstacle for the newborn American state. The powerful legacy of colonial smuggling contributed to merchant resistance to centralized state authority and regulation of commerce. Smuggling now undermined American rather than British revenue collection and greatly complicated U.S. border management and foreign relations. This was a particularly serious problem for the nascent federal government given that virtually all of its revenue derived from duties imposed on imports.

Illicit trade was therefore a major challenge to early American state making—just as it is for state making efforts across the globe today. Indeed, this is an often overlooked part of America’s early “strong society, weak state” profile. At the same

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<sup>18</sup> York, “Clandestine Aid,” 27.

<sup>19</sup> Quoted in William Armstrong Fairburn, *Merchant Sail* (Center Lovell, ME: Fairburn Marine Educational Foundation, 1955), 1:379. Derby wrote this letter to his ship captain, Nathaniel Silsbee, stationed at Hispaniola.

<sup>20</sup> Patton, *Patriot Pirates*, 17.

<sup>21</sup> *Annals of Congress*, 1st Cong., 1st sess., 311.

time, concerns about smuggling stimulated government expansion and the creation of a border management infrastructure, notably the establishment of the customs service as one of the first pillars of the federal government. Indeed, in a highly fragmented country deeply suspicious of centralized state authority, inhibiting illicit trade and collecting duties on imports through a federal customs service was the main rationale for a uniform system of government in the early years of the republic.<sup>22</sup> Efforts to combat maritime piracy and embargo busting also stimulated the early development of the navy. In other words, illicit trade and related activities were double-edged, both challenging and building up the new American state. The same is true today, suggesting more continuity with the past than is typically recognized. While we should be careful not to overstate or misinterpret the historical parallels, neither should they be glossed over.

### **“Trading with the enemy” in the War of 1812**

The War of 1812 between the United States and Great Britain was supposed to be quick and short-lived. Instead it turned into a stalemate that dragged on for two and a half years, with British forces kept well fed and supplied with the help of American smugglers pursuing illicit profits over patriotism. The Enemy Trade Act of 1812 outlawed trade with America’s enemies, banned the sale of American war stores to Canada, and only permitted American vessels in U.S. ports. This was followed by the sweeping but short-lived embargo of 1813 (outlawing all exports and giving officials more invasive powers), and the Enemy Trade Act of 1815, passed shortly before the conclusion of the war. These restrictions included a further militarization of customs enforcement, as naval and other military forces were increasingly tasked with not only fighting British troops but also smugglers.

Despite these efforts, trade with the enemy flourished, and mushroomed with the heightened demand generated by the influx of British forces in 1814.<sup>23</sup> “We have been feeding and supplying the enemy,” bemoaned a Republican newspaper, “both on our coast and in Canada, ever since the war began.”<sup>24</sup> Indeed, much to Madison’s dismay, America’s trading spirit often seemed stronger than its fighting spirit. “Self, the great ruling principle, [is] more powerful with Yankees than any people I ever saw,” one British officer commented disparagingly.<sup>25</sup>

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<sup>22</sup> See Alexander Hamilton, “Federalist No. 12,” *The Federalist Papers: Alexander Hamilton, James Madison, and John Jay*, ed. Ian Shapiro (New Haven: Yale University Press, 2009).

<sup>23</sup> Donald R. Hickey, *The War of 1812: A Forgotten Conflict* (Urbana: University of Illinois Press, 1989), 225. Until 1814 the war with the United States was largely a sideshow for Britain as it continued to focus on continental Europe. But with Napoleon’s defeat the British moved more of its forces to the American war.

<sup>24</sup> Quoted in Hickey, *The War of 1812*, 168.

<sup>25</sup> Quoted in Hickey, *The War of 1812*, 216.

Nowhere was this more apparent than in the U.S.-Canada borderlands, where Americans proved more enthused about illicitly trading with their northern neighbors than conquering them. This diverted scarce supplies to the enemy, increased the costs of feeding U.S. soldiers, and undermined popular support for the war.<sup>26</sup> Even as some state militia units simply refused orders to march into Canada,<sup>27</sup> American smugglers were far less inhibited in their border crossings and engagements with the enemy. And indeed, some militia members deployed to secure the border instead colluded in border smuggling. Military intelligence also covertly flowed across the border. "The turpitude of many of our citizens in this part of the country," commented navy Lieutenant Thomas Macdonough in dismay, "furnishes the Enemy with every information he wants."<sup>28</sup> Colonel Zebulon Montgomery Pike, commander of the 15<sup>th</sup> Infantry based on Burlington, described soldiers and civilians on the border as "void of all sense of honor or love of country" due to their cross-border dealings.<sup>29</sup>

The U.S.-Canada border became the most important backdoor for wartime trading, building on the illicit trade routes and networks that flourished during the embargo era. Smuggling was not only good business for border communities but good for relieving cross-border tensions in a time of war. Vermonters in the Lake Champlain Valley, for instance, remained largely unprotected from a British invasion and had good reason to maintain peaceful relations with their immediate neighbors in Lower Canada. Smuggling fostered an informal form of local cross-border interdependence that had a pacifying effect. Smuggling thus became a peculiar mode of peacemaking.<sup>30</sup>

Some illicit trade across the U.S.-Canada line was seasonal. During the winter months, one wartime smuggler from Orleans County, Vermont, later recalled, "the goods and merchandise which came from Canada were smuggled in winter when the swamps and rivers were frozen and when the deep snows could be made into a hard road over the roughest ground." He noted that the main threat in the Vermont countryside was not confiscations by the authorities but rather the armed gangs who used the cover of patriotism as an excuse to rob smugglers.<sup>31</sup> Meanwhile, during the summer, entire herds of cattle were smuggled through the

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<sup>26</sup> Alan Taylor, *The Civil War of 1812: American Citizens, British Subjects, Irish Rebels, and Indian Allies* (New York: Vintage, 2011), 290-292.

<sup>27</sup> George C. Herring, *From Colony to Superpower: U.S. Foreign Relations since 1776* (New York: Oxford University Press, 2008), 128.

<sup>28</sup> Quoted in Hickey, *The War of 1812*, 226.

<sup>29</sup> H.N. Muller III, "A 'Traitorous and Diabolical Traffic': The Commerce of the Champlain-Richelieu Corridor During the War of 1812," *Vermont History* 44, no. 2 (Spring 1976): 90-91.

<sup>30</sup> This is the main argument of Donald G. Alcock, "The Best Defense is...Smuggling? Vermonters During the War of 1812," *Canadian Review of American Studies*, 25, no. 1 (Winter 1995): 73-91.

<sup>31</sup> Quoted in Little, *Loyalties in Conflict*, 46.



forests of Vermont, New Hampshire, Maine, and New York into Canada to feed the Royal Army.<sup>32</sup> With the largest herds of cattle in the northeast, Vermonters were especially well placed to take advantage of a tripling of the price of beef during the war.<sup>33</sup>

In late July 1813, an exasperated American General George Izard complained, "On the eastern side of Lake Champlain, the high roads are found insufficient for the supplies of cattle which are pouring into Canada. Like herds of buffaloes, they press through the forest, making paths for themselves...Nothing but a cordon of troops, from the French Mills [in northern New York] to Lake Memphramagog [in northern Vermont] could effectively check the evil.—Were it not for these supplies, the British forces in Canada would soon be suffering from famine, or their government subjected to enormous expense for their maintenance."<sup>34</sup> Two years into the war, the British governor-general in Canada reported to the Foreign Office that, "Two-thirds of the army in Canada are at this moment eating beef provided by American contractors, drawn principally from the States of Vermont and New York."<sup>35</sup> Some New England cattle smugglers never even had to step foot into Canada: after marching their livestock to the border, their Canadian counterparts would woo the animals across with a basket of corn.<sup>36</sup>

The border was equally porous further east, with the major smuggling hot spots changing with the shifting geography of the war.<sup>37</sup> When the British invaded and then occupied part of eastern Maine in the summer of 1814, British merchants flocked to the town of Castine to exploit wartime trading opportunities for the next eight months. The British authorities fully encouraged the brisk cross-border illicit

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<sup>32</sup> Stuart D. Brandes, *Warhogs: A History of War Profits in America* (Lexington: University of Kentucky Press, 1997), 56.

<sup>33</sup> Muller, "A 'Traitorous and Diabolical Traffic,'" 90.

<sup>34</sup> See, *Official Correspondence with the Department of War: Relative to the Military Operations of the American Army under the Command of Major General Izard, on the Northern Frontier of the United States in the Years 1814 and 1815* (Philadelphia: Thomas Dobson, 1816), 57.

<sup>35</sup> Quoted in Don Whitehead, *Border Guard: The Story of the United States Customs Service* (New York: McGraw-Hill Book Co., 1963), 44.

<sup>36</sup> Hickey, *War of 1812*, 227. This illicit trade sometimes also included use of counterfeit American bank notes forged in Lower Canada. The problem of counterfeit American bank notes coming in from Canada predated the war, but the Canadian government only cracked down on the forgers in December 1813 when a substantial amount of bogus Lower Canadian army bills manufactured in Boston was about to be introduced via northern Vermont. See Little, *Loyalties in Conflict*, 48-49. For a more detailed discussion of counterfeiting in early America, see Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States* (Cambridge: Harvard University Press), 2007.

<sup>37</sup> Harvey Strum, "Smuggling in Maine during the Embargo and the War of 1812," *Colby Library Quarterly* XIX, no. 2 (June 1983): 90-97.

trade to compensate for the severe shortage of foodstuffs and other supplies in Canada.<sup>38</sup> Wartime smuggling was about everyday survival but it was also about profits. Take the case of William King, a successful Maine merchant who also headed the local militia: he supplied the British military with provisions, and the British supplied him with blankets, which he then sold at a profit to the American military.<sup>39</sup> King went on to be elected the first governor of Maine in 1820, and later served as the collector of customs at Bath from 1830 to 1834.<sup>40</sup>

Early on in the war, the British government even sold trading licenses to American merchants that exempted them from seizure by British privateers and the Royal Navy. American naval officers had an especially difficult time identifying U.S. merchant ships operating with these licenses, since the captain would keep the license hidden unless boarded by a British ship. To dupe the captain into voluntarily producing the incriminating license, American naval officers would at times masquerade as British when boarding the vessel, wearing British uniforms and showing the British flag. These ruses sometimes worked, but smugglers became less gullible and more wary of such deceptions over time. The owners of a licensed American merchant ship smuggling goods into Canada warned the master that “you must be aware of the facility with which American cruisers may pass as English....When in with any of the B.[ritish] B.[lockading] squadron, come forward with your Ex.[port] Li.[cense] which will safely pass you....If you have any suspicions destroy all at once...”<sup>41</sup>

The British favored New England shippers in allocating trading licenses, since the commercially-oriented northeast was most opposed to the war.<sup>42</sup> Britain’s blockade of the eastern seaboard initially did not extend to New England, a strategy meant to secure illicit supplies but also create division and discord between the anti-war Federalist northeast and the Republican administration in Washington. It was certainly politically awkward that New Englanders were supplying British vessels blockading the rest of the American seaboard. Even after the Royal Navy extended its blockade to include New England in April 1814, the British continued to facilitate

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<sup>38</sup> Joshua Smith, “Patterns of Northern New England Smuggling, 1782-1820,” in *The Early Republic and the Sea: Essays on the Naval and Maritime History of the Early United States* (Washington, DC: Brassey’s, 2001).

<sup>39</sup> Joshua Smith quoted in Margaret Nagle, “The Golden Era of Smuggling,” *Today Magazine* (University of Maine), December 2001/January 2002.

<sup>40</sup> For a more detailed account, see Alan S. Taylor, “The Smuggling Career of William King,” *Maine Historical Society Quarterly* 17 (Summer 1977): 19-38.

<sup>41</sup> Quoted in Michael J. Crawford, “The Navy’s Campaign Against the Licensed Trade in the War of 1812,” *American Neptune* 46, no. 3 (1986): 167.

<sup>42</sup> When Madison was informed of this British favoritism toward New England in the license trade, he told Congress in February 1813 that this was an “...insulting attempt on the virtue, the honor, the patriotism, and the fidelity of our brethren of the Eastern States.” Quoted in Hickey, “American Trade Restrictions During the War of 1812,” 528.

and encourage illicit American trade (especially to Canada) as long as it aided their subjects and military forces.<sup>43</sup> Rhode Islanders on Block Island, for instance, regularly brought both supplies and intelligence to British ships off the coast.<sup>44</sup> The British openly used the harbor at Provincetown, Massachusetts, to resupply their ships: small American vessels reportedly brought “[f]resh beef, vegetables, and in fact all Kind of supplies” to these ships on a regular basis.<sup>45</sup> “The fact is notorious,” announced the *Lexington Reporter*, “that the very squadrons of the enemy now annoying our coast...derive their supplies from the very country which is the theatre of their atrocities.”<sup>46</sup>

At the same time as American smugglers supplied enemy forces, the battle against smuggling distracted U.S. troops from their war-fighting mission. In October 1813, General Wade Hampton even ordered military raids into Canada from the Lake Champlain region of Vermont to try to disrupt the “...shameful and corrupt neutrality of the lines, for the purpose of gain.”<sup>47</sup> Similarly, the following March, Colonel Clark headed a detachment toward Missisquoi Bay, Vermont, “...with a view to cut up by the roots the smuggling intercourse which had been carried on to a great extent; besides it was necessary to prevent the constant supply of provisions which were daily passing to the enemy from this state.”<sup>48</sup>

### **“Blood cotton” and blockade running in the American Civil War**

Few of today’s illicit exports from conflict zones rival the importance of Confederate cotton—we could call it “blood cotton”—in fueling a war that cost more U.S. lives than any other conflict in American history. Well over 600,000 soldiers lost their lives, and hundreds of thousands more were injured. Illicitly exchanging cotton for arms and contributed to this heavy human toll by supplying Confederate forces and enabling the war to drag on much longer than would otherwise have been possible. The illicit flow of arms and other materials, funded by contraband Confederate cotton, could not in the end shift the military balance on the ground and change the ultimate outcome of the war, but it did profoundly shape its character and longevity. Although attracting far less attention than the Civil War’s famous battles, southern success on the battlefield depended on commercial success in the underworld of smuggling.

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<sup>43</sup> Hickey, “American Trade Restrictions During the War of 1812,” 533.

<sup>44</sup> Brandes, *Warhogs*, 56.

<sup>45</sup> Quoted in Hickey, “American Trade Restrictions During the War of 1812,” 537.

<sup>46</sup> Quoted in Hickey, *The War of 1812*, 171.

<sup>47</sup> *The Documentary History of the Campaign upon the Niagara Frontier in the Year 1813*, ed. E. Cruikshank (Welland: Tribune Office, 1905), 3:194.

<sup>48</sup> Quoted in the *Vermont Republican* 18 April, 1814, available in, *Records of the Governor and Council of the State of Vermont*, ed. E. P. Walton (Montpelier: J. & J.M. Poland, 1878), 6:497-498.

The North attempted to impede such clandestine commerce by imposing an ambitious naval blockade on southern ports. On April 19 1861 President Lincoln announced a naval blockade on the South—soon dubbed the “Anaconda Plan”—with the aim of squeezing the Confederacy into submission by blocking contraband of war. Although it was an impossible task to police the 3,549 mile-long Confederate coastline, blockaders could focus primarily on the handful of major southern ports with the requisite infrastructure and transportation links to handle large volumes of external supplies. During the course of the war, the Union’s four blockading squadrons captured 136 blockade-runners and 85 more were destroyed.<sup>49</sup>

But the runners usually outmaneuvered the blockaders. Historian Stephen Wise calculates that almost 300 steamships were involved in blockade running between the fall of 1861 and spring 1865, and out of an estimated 1,300 runs, more than 1,000 succeeded.<sup>50</sup> Blockade runners managed to smuggle out roughly half a million bales of cotton, and smuggle in a thousand tons of gunpowder, half a million rifles, and several hundred cannon.<sup>51</sup> Wise estimates that blockade runners provided the South with sixty percent of its weapons; one-third of the lead for its bullets and the ingredients for three-fourths of its powder; and most of the cloth for its uniforms.<sup>52</sup> Clearly, the Confederacy could not have survived without this clandestine lifeline to the outside world.

Successful blockade running sometimes meant that Confederate soldiers were better supplied than their Union counterparts. At one point General Ulysses S. Grant replaced his own rifles with captured southern weapons: “At Vicksburg 31,600 prisoners were surrendered, together with 172 cannon, about 60,000 muskets with a large amount of ammunition. The small-arms of the enemy were far superior to ours....The enemy had generally new arms which had run the blockade and were of uniform caliber. After the surrender I authorized all colonels whose regiments were armed with inferior muskets, to place them in the stack of captured arms and replace them with the latter.”<sup>53</sup>

In the first year of the war the blockade was so thin that it scarcely deserved to be labeled as such. The Confederate government dismissively called it a “paper blockade.” But over time, the blockade tightened and thickened considerably, targeting the relatively small number of key southern ports, especially Charleston and Wilmington, that remained in Confederate hands (New Orleans, the largest southern port, was captured and occupied by the Union early on in the war, and by 1863 blockade-runners were largely restricted to the ports of Wilmington, Charleston, Mobile, and Galveston). The blockade typically had multiple layers, with

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<sup>49</sup> Wise, *Lifeline of the Confederacy*, 221.

<sup>50</sup> Wise, *Lifeline of the Confederacy*, 221.

<sup>51</sup> McPherson, *Battle Cry of Freedom*, 380.

<sup>52</sup> Wise, *Lifeline of the Confederacy*, 7.

<sup>53</sup> Quoted in Gene Dattel, *Cotton and Race in the Making of America* (Chicago: Ivan R. Dee, 2009), 198.

a layer of smaller ships patrolling closer to shore able to signal to warships several miles out when a blockade-runner was leaving port.

Blockade-runners adapted to these Union tactics by deploying faster, more agile and lower-profile British-made steamer vessels, painted gray or bluish green and burning smokeless anthracite coal for added stealth. Under the cover of fog and darkness, these blockade-runners could sneak by a Union warship in close proximity without being detected. And when detected, many blockade-runners could simply outmaneuver and outrun their would-be captors. Despite the wartime context, the blockade enforcement-evasion game was mostly nonviolent: blockade running ships were typically not armed (to save weight but also to avoid being classified as an armed pirate ship, which brought much harsher penalties), and Union warships preferred to capture rather than destroy them in order to seize the cargo and receive the prize money.

Two British island ports, Bermuda and Nassau, served as the main hubs for blockade-runners, not unlike the transshipment role that the Dutch island of St. Eustatius played during the American Revolution. Bermuda and Nassau became bustling island warehouses for Europe-bound cotton and southern-bound contraband. Cotton—“white gold”—served as the de facto currency for purchasing European war materials and other supplies. One blockade-runner described the wartime scene at Nassau’s port: “Cotton, cotton, everywhere! Blockade-runners discharging it into lighters, tier upon tier of it, piled high upon the wharves, and merchant vessels, chiefly under the British flag, loading with it.”<sup>54</sup>

Nassau, with a sympathetic governor and local population, was the favored transshipment point given its proximity to southern ports. In 1863, some 164 steamers departed Nassau for southern ports, while only 53 cleared for Bermuda.<sup>55</sup> From Nassau, blockade-runners could reach Wilmington (570 miles) or Charleston (515 miles) in just three days. This not only saved time but also coal, and less space devoted to coal meant more space devoted to profitable cargo. Secretary of the Navy Welles complained about Nassau’s complicity: “Almost all of the aid which the Rebels have received in arms, munitions, and articles contraband have gone to them through the professedly neutral British port of Nassau. From them the Rebels have derived constant encouragement and support....It is there that vessels are prepared to run the blockade and violate our laws, by the connivance and with the knowledge of the colonial, and, I apprehend, the parent, government.”<sup>56</sup>

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<sup>54</sup> Quoted in Rodman L. Underwood, *Waters of Discord: The Union Blockade of Texas During the Civil War* (Jefferson, NC: McFarland, 2008), 55.

<sup>55</sup> Wise, *Lifeline of the Confederacy*, 132.

<sup>56</sup> Quoted in Mahin, *One War at a Time*, 170.

Mexico also served as a backdoor for smuggling cotton out, bringing in war supplies, and getting around the blockade.<sup>57</sup> As the only neutral country sharing a land border with Confederate territory, Mexico enjoyed a special niche in wartime trading. The Mexican border town of Matamoros became a smuggling depot, where war supplies could be ferried across the Rio Grande to Brownsville, Texas, and exchanged for southern cotton. A Union general lamented that “Matamoros is to the rebellion west of the Mississippi what the port of New York is to the United States. It is a great commercial center, feeding and clothing the rebellion, arming and equipping, furnishing the materials of war.”<sup>58</sup> One historian describes the area as resembling the California gold rush of 1849, with entrepreneurs, speculators, agents, and brokers drawn to it like a magnet.<sup>59</sup> According to one estimate, more than 20,000 speculators from the Union, Confederacy, England, France, and Germany arrived in four years.<sup>60</sup>

The tiny Mexican coastal hamlet of Bagdad, at the mouth of the Rio Grande some thirty miles from Matamoros, experienced an equally dramatic growth spurt, mushrooming in size from a handful of huts to a town of some 15,000 residents virtually overnight. In April 1863, the commander of the Eastern Gulf Blockading Squadron was informed that there were as many as 200 ships waiting to unload their cargoes and load cotton at Bagdad. During this same period, the commander of the Confederate raider *Alabama* reported that business was booming in Bagdad: “The beach was piled with cotton bales going out, and goods coming in. The stores were numerous and crowded with wares.”<sup>61</sup>

There was little that Union naval authorities could do about the use of Mexico to circumvent the blockade. As stipulated in the 1848 treaty of Guadalupe Hidalgo, the Rio Grande was neutral and therefore could not be blockaded by Mexico or the United States within a mile north or south of its entrance. Union warships slowed the trade down through harassment (by constantly boarding and inspecting vessels), but could not stymie it completely.<sup>62</sup> This supply line was crucial in sustaining the Confederate war effort West of the Mississippi. But due to geographic distance and a poor transportation system, the Mexico connection was far less consequential than blockade running for supplying Confederate forces elsewhere.

Blockade running officers and crews were well rewarded for their risk-taking. This is illustrated by the pay scale of the commercial blockade runner the *Venus*. The

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<sup>57</sup> See especially James A. Irby, *Backdoor at Bagdad: The Civil War on the Rio Grande* (El Paso: Texas Western Press, 1977).

<sup>58</sup> Quoted in Underwood, *Waters of Discord*, 72.

<sup>59</sup> Fredericka Meiners, “The Texas Border Cotton Trade, 1862-1863,” *Civil War History* 13, no. 9 (December 1977): 293-294.

<sup>60</sup> Robert W. Delaney, “Matamoros, Port of Texas During the Civil War,” *Southwestern Historical Quarterly*, 58, no. 4 (April 1955): 473-474.

<sup>61</sup> Quoted in Underwood, *Waters of Discord*, 71.

<sup>62</sup> Wise, *Lifeline of the Confederacy*, 88.

captain received \$5,000, the first officer \$1,250, the second and third officers \$750 each, the chief engineer \$2,500, the pilot \$3,500, and each crewmember \$250. These wages were paid in gold, half up front and the other half after the successful round-trip run.<sup>63</sup> Crews and officers also greatly supplemented their income on the inbound trip by carrying scarce necessities and luxury items in their personal belongings, ranging from toothbrushes to corsets, which they could sell for many times their original value. And on the outbound trip they were allowed to carry personal supplies of cheap cotton, which they similarly sold at greatly inflated prices.

Confederate cotton exports were much reduced from pre-war levels, but reduced supply also meant highly inflated prices—assuring substantial profits for those who managed to evade the blockade. Cotton prices in Europe soared to as much as ten times their prewar levels. At such prices, the incentives to run the blockade remained high even as the risks increased over time—with the chances of being caught one in three by 1864 and one in two by 1865.<sup>64</sup> Blockade running cotton traders were challenged by the blockade but also enriched by it. A popular toast captured this dynamic: “Here’s to the Southern planters who grow the cotton; to the Limeys who buy the cotton; to the Yankees that maintain the blockade and keep up the price of cotton. So, three cheers for a long continuance of the war, and success to the blockade-runners.”<sup>65</sup>

Yet, relying on private commercial shippers for desperately needed war materials had a serious downside for the Confederate government. Transportation costs were extremely high, accounting for much of the increase in cotton prices. These high transportation costs also decreased the incentives to ship bulky items, notably much needed machinery and railroad iron.<sup>66</sup> Moreover, commercial blockade-runners motivated more by profits than patriotism—or in the case of Rhett Butler, “for profit only,” as he told Scarlet O’Hara in *Gone With the Wind*—devoted scarce cargo space to high-value luxury goods and civilian items, ranging from books to booze, rather than strictly military necessities.<sup>67</sup>

Confederate officials had little choice but to outsource most blockade running to private shippers. The Confederacy simply lacked the administrative capacity and apparatus to impose centralized control over the business of blockade running even if it had wanted to. Moreover, doing so would reduce the profit incentives that sustained the blockade running system—as was evident when the Confederacy

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<sup>63</sup> Wise, *Lifeline of the Confederacy*, 110-111.

<sup>64</sup> McPherson, *Battle Cry of Freedom*, 380.

<sup>65</sup> Quoted in Dattel, *Cotton and Race in the Making of America*, 195.

<sup>66</sup> David G. Surdam, *Northern Naval Superiority and the Economics of the American Civil War* (Columbia: University of South Carolina Press, 2001), 6.

<sup>67</sup> Some scholars argue that the importation of luxury items actually helped the South, since it made blockade running profitable. See Robert B. Ekelund Jr. et al., “The Unintended Consequences of Confederate Trade Legislation,” *Eastern Economic Journal* 30, no. 2 (Spring 2004): 187-205.

banned the importation of luxury goods. So even as it attempted to impose greater regulation, the Confederate government remained dependent upon appealing to the profit motives of foreign merchants.<sup>68</sup>

Blockade-runners fed, armed, and clothed the Confederacy until Union forces sacked the ports of Charleston and Wilmington. In late 1864, General Lee's army in Virginia depended almost entirely on imported food from Europe. The supply lines to Europe were severed when the last Confederate port on the Atlantic was shut down in the first months of 1865. With the Wilmington supply line cut, Lee's army was starving when he surrendered at Appomattox in April.<sup>69</sup>

In the end, the northern blockade can be seen as both a failure and a success. Its porosity suggests it was a failure, as evident by the repeated success of blockade-runners throughout the war years. Historians tend to agree that the war would have ended much sooner if the North had been able to seal off southern ports. But as historian James McPherson points out, in evaluating the effectiveness of the blockade we must also ask: what would the supplying of the South have looked like in the absence of the blockade? He notes that the South's pre-war seaborne trade levels were significantly higher than wartime levels despite much higher supply needs during the war years. Wartime seaborne trade was less than one-third of its pre-war level. Importantly, the blockade forced the Confederacy to rely on ships built to maximize speed and stealth at the expense of cargo capacity. He concludes that the blockade succeeded in significantly reducing southern supplies, even if it did not cut them off entirely.<sup>70</sup> The blockade also forced the Confederacy to rely on less convenient ports, including Matamoros, which was far from the war's main battlefields.<sup>71</sup>

The Union blockade also appears relatively more successful when compared to blockades during earlier American wars. The British Royal Navy attempted to blockade American ports during the Revolutionary War and the War of 1812. As we saw early on in our story, the British lost the American War of Independence partly because they failed to adequately interdict smuggled European gunpowder and other war supplies to the colonial rebels. The Royal Navy's blockade of the eastern seaboard had more success in the War of 1812, contributing to a stalemated outcome. Fast forward to the American Civil War, where for the first time the side imposing the blockade was the victor. On balance, it seems that the Union naval blockade was porous enough to help prolong the war and provide an enormously lucrative opportunity for contraband traders, yet was also sufficiently effective to

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<sup>68</sup> Mahin, *One War at a Time*, 91. The most important exception to this was the handful of ships operated by the Ordinance Bureau, the only Confederate agency that directly carried out its own blockade running.

<sup>69</sup> Mahin, *One War at a Time*, 173.

<sup>70</sup> McPherson, *Battle Cry of Freedom*, 381-382.

<sup>71</sup> Surdam, *Northern Naval Superiority and the Economics of the American Civil War*, 6.



ultimately constrain Confederate fighting capacity.

### **Conclusion: Historical déjà vu**

What is really new and different about the connection between illicit trade and conflict in the contemporary era? Not nearly as much as we are often lead to believe. Although the connection between illicit trade and conflict has received unprecedented attention, it is certainly not a post-Cold War invention. And it goes back not just decades (the drugs-conflict connection was an important feature of the Cold War, from Southeast Asia to South Asia and Central America) but centuries. This has been strikingly evident by simply looking at America's own early historical experience. Much to the dismay of the British imperial authorities, transatlantic smuggling kept George Washington's Continental Army supplied during the American War of Independence. Yet much to the delight of the British, American colonial merchants illicitly traded with the enemy and helped keep English forces supplied during the War of 1812. And no contemporary "conflict commodity" has been more important in shaping war than was the case of smuggled Confederate cotton during the American Civil War.

Then, as now, it was often difficult to clearly differentiate between greed and grievance in motivating and sustaining rebellion. But there is certainly no evidence to suggest that today's insurgents are more profit driven than some of their American predecessors. The grievances were real, but so too were the fortunes made from war.