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Introduction

Chair John C. Williams

Good afternoon and welcome to the 651st meeting of The Economic Club of New York. I'm John Williams. I'm the Chair of the Club and I'm President and CEO of the Federal Reserve Bank of New York. As we celebrate our 115th anniversary, I'd like to take us back to March 30th of 1966. On this date, Indira Gandhi, the third prime minister of India, addressed the Club and noted that "New York is the financial and cultural center of your great country and I'm aware that your Club is one of the best-known groups in the business and banking community of the city." So what a wonderful acknowledgment from back then but importantly throughout our history, the Club has served as the preeminent nonpartisan forum for discussions on economic, social and political issues. A special welcome to members of the Economic Club's 2022 Class of Fellows – a select group of diverse, rising, next-gen business thought leaders as well as grad students from NYU Stern School of Business.

Today I'm honored to welcome our guest today, Roger Lowenstein. Roger was a reporter for *The Wall Street Journal* for more than a decade, and his work has appeared in *Bloomberg, The New York Times, The Washington Post, Fortune, Atlantic,* the *New York Review of Books*, and other publications. He's an author of many best-selling books. And today he joins us to discuss his recent book, *Ways and Means: Lincoln and*

His Cabinet and the Financing of the Civil War. It's the regulatory financial investigation into how Lincoln and his administration used the funding of the Civil War as a catalyst to centralize the government and accomplish the most far-reaching reform in the country's history.

The format today will be a conversation in which we're very fortunate to have fellow Club Trustee and Robert M. Beren Professor of Economics at Harvard University, Greg Mankiw, as our moderator. We'll end promptly at 4:45. Any questions that were submitted to the Club from members were shared and may be addressed during the conversation. In addition, we'll be using the chat box for this conversation and you can enter questions directly in the chat box for their consideration. As a reminder, this conversation is on the record as we do have media on the line. So, Greg, I'm happy to pass the mike over to you now.

Conversation with Roger Lowenstein

GREG MANKIW: Thank you very much, John. It is a great honor and delight to be here with my friend Roger Lowenstein. Roger and I are friends. He lives just a few blocks from Harvard. Before I was a friend of Roger's, before I had ever met him, I was a fan. I remember reading his biography of Buffett many, many years ago and then his book, *When Genius Failed*, about the problems of long-term capital management, and many of his other books. So he's really one of my favorite writers on financial and economic issues. And so I'm so happy to be here today to talk to him about his new book, *Ways and Means.*

So this is really a book about the economic side of the Civil War, which is not a side of the Civil War that's covered a lot. So let's sort of set the stage, Roger, by talking about Lincoln's general economic philosophy. What was it as he entered the White House?

ROGER LOWENSTEIN: So, first, thank you, John, very much for that beautiful introduction. And Greg, it's equally my pleasure to be talking to you. Lincoln, most people may not know, devoted the first couple of decades of his political career to economics. Slavery was not the overriding issue in the 1830s and 1840s when he was a rising legislator and politician in Illinois.

And his issues were ones that came from his experience. He grew up, most people know, in the frontier. He was anything but a rich man. The log cabin, that's true. He was a rail splitter. He looked around. He saw that there wasn't enough currency in the communities where he lived. He clerked for a store and it has – as he put it – winked out, it had failed. So he thought the country needed a national bank, a universal currency rather than the IOUs, the notes of various state banks all around the country.

It was very expensive to ship goods to the east where demand was. So he thought (a) the country needed a tariff against European competition and really was big on transportation, what we would today call infrastructure or even Build Back Better. The railroad was a big concern of his, canal building, an agriculture department, he fantasized about before coming to the presidency. Things that would give the average person, someone like himself, a leg up on the economic ladder.

GREG MANKIW: And it sounds like his views were very much based on his lived experience. Had he read about economics? Did he ever, like read Adam Smith or any other sort of famous economists who were available at the time?

ROGER LOWENSTEIN: He read a few of them on the tariff. That was probably the deepest he got into it. I don't know that he read Adam Smith. He lived the central bank, in the 1830s when Jackson was, in effect, repealing or Congress at Jackson's behalf was repealing the Second National Bank, he lived through that. It was really more a lived experience on Lincoln's part. And, of course, he was a member of the Whig Party and the heroes of the Whig party. Lincoln's hero was Henry Clay. And Lincoln probably got most of his ideas from Henry Clay. Certainly the tariff and the national bank and internal improvements, those were all Henry Clay ideas. And they were ideas for a larger government than the reigning Jeffersonian government, the government's least philosophy, which was really the philosophy that prevailed until the Civil War.

GREG MANKIW: That is very consistent with economics textbooks. I mean public goods are kind of the classic roles of government in all modern economic textbooks. So he got it right from experience rather than from the textbooks.

ROGER LOWENSTEIN: Yes, I mean he looked around. He saw how difficult it was. With everything, say, the tariff today, it was more expensive then to ship goods from Illinois to the East Coast where there was demand than from England to the East Coast. So, you know, the United States, particularly at the time of his upbringing, was still a developing country. And he just felt it wasn't fair and that this developing industry needed a boost. And the idea that there wasn't one universal currency, if you took the money from Illinois and went a couple of states east, it either wasn't accepted or it was greatly discounted. And this was obviously not a workable system to have for a growing industrializing country.

He also had one idea that – it might strike us as sort of quaint today – but he believed that workers and capitalists were really partners, not opposed to each other. He thought, most businesses were small, maybe small craft shops, so he would write about how the worker today, tomorrow would set up his own shop and maybe the next day would hire a worker or two on his own. And he believed in prosperity. He believed very much in capitalism. He said it was good that some people are rich. It shows that other people can become rich. But he also believed in giving – unlike many self-made people or some self-made people – he saw that some people needed a helping hand and the government should do what it could to smooth the way. So he was really an amalgam of those two ideas.

GREG MANKIW: The other person who plays a very important role in this book is Salmon Chase. Can you tell us about him?

ROGER LOWENSTEIN: Sure. Sure. Salmon Chase was Lincoln's Secretary of the Treasury. He was also self-made in a sense. He had grown into; he was born into a prestigious family. His father was actually a good friend of Daniel Webster. But Chase's father died young. He grew up after that in very strapped circumstances. I suspected he harbored a certain resentment at his fall from privilege.

In any case, he and Lincoln, their relationship was somewhat like a marriage. It was very productive, but not terribly happy. Just to give you a flavor of it, Lincoln invited Chase, after his election, before he took office, out to Springfield so that he could talk to him about becoming Secretary of the Treasury. He had a slight problem because his campaign people had promised the job to someone else. He was still working that out. So Chase takes a couple of railroads, a few actually, to get to Springfield. He gets there and he leaves his card with Lincoln and says I've just arrived in town and I'll call on you after I'm rested.

Lincoln comes right over to Chase's hotel and calls on him and starts slapping him on the knee and being all folksy-like, like Lincoln was. Chase finds this very undignified. He's slightly put off, slightly disrespected. Lincoln immediately says I've called you out here to see if you will accept the job of Secretary of the Treasury without however being exactly prepared to offer it to you. Once again now Chase is, you know, is put off. What is this offer, not offer? Chase was also, you may recall, some of you who read the broader history, is a defeated rival of Lincoln's for the nomination.

And as the relationship progressed, Chase never forgot these slights. He never forgot his feeling that he, rather than Lincoln, should have been the nominee and the candidate. He eventually runs against Lincoln for president as a sitting member of his cabinet. Imagine Janet Yellen today hiring or conspiring with thousands of Treasury clerks to go out and campaign against Biden. You've been in administration; I take it you find that rather implausible as most people today would.

But Lincoln was very savvy. He recognized that he had a tremendous job in the Treasury. As he said in the beginning, he said the side that has the most resources will win. Chase was proving very adept at raising resources. And despite many people who advised him to sack Chase, he kept him in the job for as long, for most of the war, for as long as he thought it was useful.

GREG MANKIW: How steeped was Chase in financial issues before he became Treasury Secretary?

ROGER LOWENSTEIN: Chase had virtually no experience. So, you know, sometimes that can prove to be foolish, but in this case nobody had experience in the size of the task. So what Chase had was, he was extremely committed to the Union cause. He was a strong abolitionist, and he was willing and able to work extremely hard. He was creative. His principles actually were somewhat opposed to Lincoln's coming into the war. He was more of a hard money guy. Lincoln supported more circulating money, you know, a national bank, more paper bills, all the things we would associate today with a looser, a looser Federal Reserve. Of course there was no Federal Reserve then. And Chase was a gold guy. Nonetheless, they ran out of gold.

I'll just give you an example of a challenge Chase was facing. When the war began he went to the banks, which were all small institutions, and, you know, not thousands of shareholders. When you borrowed from a bank back then, you were borrowing from its president and maybe a few of his limited partners. And he got the banks, with a lot of persuasive effort, to lend the United States $50 million in coin. Banks were very reluctant. And after this loan was made, there was a celebratory dinner and the lead banker stands up and says, now, Mr. Secretary, we've loaned you the August sum of

$50 million. We think that will be quite enough. Well, I have to tell you that before the war was out, he spent it 60 times over. And there was no more gold. So how to do that was all on Salmon Chase.

GREG MANKIW: Wow! And how was his relationship with the bankers at the end? Did the bankers come to respect him because he managed to pull off this feat?

ROGER LOWENSTEIN: The relationship was prickly. Chase felt that he represented the government. The bankers should do what he wanted out of patriotism. He thought that negotiating was beneath him, that out of patriotism again, they should give him a good rate. Governments were not considered good creditors in that era. They would much prefer to lend to a solid railroad or to the Bank of England or to the British, which had a much solider currency. The United States had no national currency.

So the bankers really didn't understand this idea that they weren't supposed to negotiate. They wanted to lend their notes, keep the gold in the vaults where it could be the basis of more credit. Chase insisted on taking their gold. But the banks, more or less, talked themselves into irrelevance because after Chase had borrowed basically all the gold, he went back several times, but by the end of the first year, 1861, they had to shut the gold window. And they had no more gold to lend. All they had were these notes, but each bank had a different note. And Chase had to turn someplace else, which is the U.S. Congress and the federal government, which really took the lead at that point in financing the war.

GREG MANKIW: Chase comes off as kind of a dyspeptic person in the sense that he seems sort of always unhappy. But his career, it's kind of an amazing career. Not only is he Treasury Secretary, but, you know, he was in Congress. Wasn't he on the Supreme Court as well at the end?

ROGER LOWENSTEIN: Yes, he was Chief Justice of the Supreme Court. It was said of him by a senator from his home state of Ohio, Chase is a good man, but his theology is unsound. He thinks he's the fourth person of the Trinity. You know he suffered a great deal. He buried, not only three wives in pretty rapid succession, but three of his children. Even for that era, that was uncommonly bad luck. He didn't have the facility for easy conversation. Whereas Lincoln was very chummy with Seward, the Secretary of State, Chase tended to be rather rigid and brittle and he very much resented the fact, he could tell that Lincoln preferred Seward's company. Lincoln liked to joke around. He had this terrible burden. That's the way he relaxed. And he never had an easy manner with Chase.

Lincoln, to his great credit, named him Chief Justice, as I said, late in the war. He did it for two reasons, really one reason. He needed a Chief Justice who he thought would defend two of his policies that he cared very much about and thought would be challenged. One was the Emancipation Proclamation to free the slaves. And this is before the 13th Amendment had been passed. So the Emancipation Proclamation was done as a war act. It was on uncertain grounds legally. Of course, Lincoln wanted to preserve that. And the other was the Legal Tender Act, the act that, I presume, we'll talk about soon. But that was the act that created a new federal currency. And as much as Chase had been a real pain the neck to Lincoln, he trusted Chase to protect his legacy in this sense.

GREG MANKIW: Let's turn to that topic now. This is largely a story about fiat money. And both the Union and the Confederacy rely heavily on it – one successfully and one not so successfully. In fact, your book starts off with two graphs of the price of gold in terms of the fiat money that they were creating, one of which is sort of, is relatively stable – not perfectly stable – and then one which kind of goes off the rails. The Confederate stuff goes off the rails. Tell us about the story of fiat money here.

ROGER LOWENSTEIN: Sure. Well, hopefully neither of those graphs will look like today's money.

GREG MANKIW: We'll see...a few years...Jay Powell is hoping for one page and not the other page.

ROGER LOWENSTEIN: That's right. That's right. Well, let's start with the Confederacy because in a sense that's an easier story to tell. They started printing money. Their Secretary of the Treasury was a guy named Memminger. He was German-born, a very conservative financier. He said the worst way to finance a war would be just printing notes. He recognized the danger of inflation. All financiers did. After all, the Revolutionary War had produced these Continentals that ended up being worth nothing. The French Revolution, the same thing. The British went off gold during the Napoleonic Wars. So Memminger was very afraid of printing notes. But the Congress wouldn't let him do anything else.

The Confederacy was opposed to taxation. They were particularly opposed to federal, within their construct, you know, the federal government down south. The planters who ran the government didn't want their wealth, which is really land and slaves, to be taxed. They made some bizarrely mistaken decisions about their cotton which prevented that from being monetized. We could talk about that later.

So because they had no tax base, they were unable to borrow. So all the Confederacy had was the facility to print notes. And Memminger, despite his intellect, his understanding that this wouldn't do, he began to print notes as if that's all there was. The price of a barrel of flour in the Confederacy was $5.50 at the beginning of the war. By the third year of the war, it was up to about $40. By the fourth year, it was $200+.

And by the end, it was $1,000. This is Weimar Republic stuff. And by the end of the war, they were printing notes on wallpaper, the reverse side of wallpaper. They had run out of actual paper.

It was almost humorous. They were, the Confederacy was split geographically. When Vicksburg fell to the Yankees, as the Confederates called the Union forces, in 1863, at that point they had to ship goods from one side to the other, you know, in the Gulf, to correspond. And they actually shipped a printing press to the west side of the Mississippi so that whatever else they lacked, the western side of the Confederacy would be able to continue the inflation as much as the eastern side.

So you think they would have had more, you know, shipping arms or food or things that would be more valuable. And by the end of the war, frequently I saw many advertisements in the southern newspapers where people were advertising they wanted to hire a schoolteacher and pay the teacher in cloth or bacon or salted pork, anything but money because the money was worthless.

I'd say the next question is what did the Union do differently? So the Union was also very afraid of inflation. Chase, Lincoln, all the significant congressman, they had read the history. They were very versed in people like Alexander Hamilton, and although we think of Hamilton as sort of an expansionist, he had warned against any kind of license in federal money printing. But they had a problem, which was the gold window was shut. And there just wasn't enough gold at that point to finance. As I mentioned, it was vastly greater undertaking.

So a man named Elbridge Spaulding, a congressmen from New York, proposed that the North print money and call it legal tender, meaning make it officially money, not just notes, not just IOUs, but make it money. And this was shocking, actually shocking for a couple of reasons. One was that only gold and silver and Treasury notes were legal tender up until that point. Unlike Treasury notes, this legal tender would carry no interest. It would not be redeemable. You could take a Treasury note and redeem it for gold. This would just be a piece of paper that the government would declare was money, like cryptocurrency or something. In fact, one of the congressman said, to use a more contemporary example, that paper bills are no more money than a contract to deliver flour. It's flour itself. Paper bills are just a promise to deliver the real thing, money.

Nonetheless, they needed...

GREG MANKIW: I'm sorry, when you say it's a promise to deliver the real thing, money, what's the real thing it promised to deliver? Not gold.

ROGER LOWENSTEIN: The real thing, that's what they were used to. The real thing would be bills that would be redeemable into some hard asset.

GREG MANKIW: Like gold, into gold.

ROGER LOWENSTEIN: Right. Or silver. And this was, so now the government was proposing money that would be money itself. You know, as if you could eat those flour contracts rather than redeem them for the flour. But they felt, they wanted everybody to accept this currency. They had already experimented with bills that were not legal tender and the banks and others widely refused it. And the idea was they needed some currency to pay the soldiers, to pay contractors. The soldiers or their wives would then go into the stores and they wanted to circulate it like money.

And with great trepidation – in fact the main sponsor said this is not an act of choice, it's an act of necessity – with great trepidation, they passed this act. And as you said, the North suffered, and then they passed a follow-up act. The first was $150 million. And they ultimately did $450 million of these notes. As you said, the North suffered some inflation, about 80% over the course of the war, which is not nothing, obviously. That became a serious problem, but it was about on par with the inflation that the United States suffered both in World War I and later World War II. So not bad for a society that had less economic experience and fewer tools.

So how did they limit it? The first thing they did after they passed the Legal Tender Act was they devised a taxing system. They had no tax system. All they had was a tariff on foreign goods. Foreign trade was way down because of the war. And this was to be a different tax. Excise taxes on basically every profession they could name. There are lists on the books of auctioneers, distillers, coal miners, you name them. Plus income taxes on individuals, so largely duplicative, but they were going to get you one way or they were going to get you the other way. John Sherman, a senator, said we need to tax everything on the earth. And one of his constituents said everything on the earth and under the earth. It was quite intrusive for the time.

There were going to have assessors go into homes and businesses, which they did. They were going to print the names of people and the taxes they paid in the newspapers, which they did, which they thought would be an incentive for people not to cheat because their neighbors would know if they were rich or poor. No one had any idea how much this tax would raise because there were no figures on what individual incomes were. They just knew it would raise a lot, and it did.

GREG MANKIW: It was very progressive too.

ROGER LOWENSTEIN: It was very progressive for its time, yes. Higher taxes on higher incomes. And this was opposed by some of the eastern legislators where more of the money was. One of them said, and this whole debate on whether to make it progressive has a great resonance today, one of them said, this is punishing a man for the crime of being rich. So you can hear that in a debate today. But the western legislators, westerners in those days being Illinois, Michigan, a new state of Kansas and so on, they didn't want the rich folks in the east to get away with it and they insisted on higher tax for higher incomes.

They had a very interesting debate on whether to tax property and slaves. Because remember, there were several northern, loyal states that had slaves. They decided not to because they feared that that would justify the whole institution of slavery. So they ended up not doing that.

But what this tax system did was give the greenback – the greenback was the informal name for legal tender – give the greenback and the Union credit, a real solid basis in the country's assets. Suddenly the government had the productive power of all of private industry behind it. And then it enabled it to do something perhaps even more important that the South couldn't do, which is to tap credit markets in unseen scale. So Chase had enlisted Jay Cooke, his name should be known to many as a famous financier, not famous at the time but he became famous.

Cooke sold bonds, not just to the banks who were largely tapped out, but to individuals, firms, and just individuals across the country. He raised billions of dollars, just unseen sums for that time. And that really made a difference in the financial ability. The amount that he borrowed was such that the legal tender notes were only one-sixth of the total war debt. So you can see why that comparison, that they really did keep the money printing in some sort of reasonable proportion. And that's really, I think, why the North didn't suffer epochal or runaway inflation, even though it did suffer inflation.

GREG MANKIW: What do you think stopped the South from pursuing a similar financial policy? You said that they didn't raise taxes as much. Was it because they couldn't have raised taxes? Was it a political constraint that, I mean you talked about, I mean it seems it was a big state's rights thing for them. They didn't really believe in a central government. It's hard to run a war if you're not running a central government.

ROGER LOWENSTEIN: Well, it was some of each. They passed a small tax but they insisted that it be collected by the states. They didn't believe in federal taxation, you know, federal, in the government set in Richmond. And the states just refused to collect it. I think only one state, South Carolina, even bothered to do a serious assessment of the rolls on which this tax was supposed to be based. The other problem that the South had, you said, was it will? It was probably will as demonstrated in this, they didn't include in any of the...they then hit on a tax that would just be basically impressment, seizing crops. This was extremely unpopular as you can imagine. Farmers tried to evade it in any way they could. It was pretty regressive because it didn't touch the two biggest sources of wealth, which were land and slaves, which were concentrated among the wealthy.

But the South had another problem, which was it had much less in the way of liquid assets. So if you want an efficient tax system, you want things that people can convert into liquid assets and if not write a check, just convey easily to the central government. And so much of their wealth was in the form of land and slaves. The market for slaves, not surprisingly, was dropping steadily throughout the war and so was the market for southern land. The big shot they had was cotton.

And the South was just overconfident. In fact, it reminds me somewhat of Vladimir Putin today, who I think has counted on his oil and gas cartel to give him, you know, sort of an unstoppable weapon in the war. I think we can at least say at this point that it hasn't been easy for Putin. NATO certainly resisted, even if they're still buying his oil and gas. The South had a similar, perhaps even a greater delusion than Putin regarding the strength of its cotton.

First they thought no war would happen. They'd secede and the North wouldn't dare make war. There was that famous comment by James Hammond, a senator from South Carolina, right before secession, no one on earth dares make war, cotton is king. When the war came, the Secretary of War was so confident that in Cabinet he took out his handkerchief and said if any blood is shed, I'll wipe it away with this, you know, with his handkerchief. That was going to be all.

And Judah Benjamin, the Attorney General in the south wasn't so confident. He suggested they ship all the cotton they could to England right then while the sea lanes were still open so that they could sell it off over time for hard currency, which is what the South would need. And there was just complete denial that they would face a long war and so they rejected his idea. So the South, it was a combination of not having the will, not having the means, and making some really foolish decisions.

GREG MANKIW: It's always hard to disentangle cause and effect, but let's give it a shot. Obviously, we can't run a randomized, controlled trial which is how scientists like to do it.

ROGER LOWENSTEIN: You mean another Civil War? Let's hope not.

GREG MANKIW: Do you think that, I mean, obviously, the military success and the economic success of the north went hand-in-hand, but which do you think was more fundamental? To what extent did the economic success contribute to the military success?

ROGER LOWENSTEIN: Well, all I can say is that in the military field, the South out-punched its weight and the North, I would say, for a long, long time under-punched its weight. Lincoln kept having to switch generals. Of course, in the case of McClellan...

GREG MANKIW: Bad example.

ROGER LOWENSTEIN: Primary general in the east. Lincoln finally said I would like to borrow his army if he won't use it, McClellan just refused. And meanwhile, Lee was, when he took over after 1862, was either running circles around them or dazzling them. He frightened Hooker before Gettysburg into thinking that he had too many troops. Hooker said, should I go to Richmond? Lincoln had to say, no, not Richmond. Go where Lee's army is. Fight the army where it is. And, of course, he had to replace Hooker with Meade.

As late as, well, I would say, July or August 1864, so this is the fourth year of an incredibly brutal war, Grant is stuck in the mud in Petersburg in Virginia. Horace Greeley and the editor of *The New York Times*, you know, leading Republicans are telling Lincoln he cannot win. He's going to be defeated in the election, which means McClellan now running against him, may sue for peace.

So the one front where the North was really winning from the beginning and the South was losing was the economic front. After a slow start, the North prospered. Its economy kept growing. Immigrants kept coming in replacing the men who were off in the field. The new currency did fine. They were able to borrow. In the South, it was completely the opposite. They had this runaway inflation. The Richmond newspapers reported enslaved Blacks carting wheelbarrows of notes through the streets of Richmond. The soldiers began to go hungry. And actually before the soldiers began to go hungry, because means were diverted to the troops, families throughout the south began to go hungry and people began to desert. It's very hard to make people fight when they know that their families are starving.

And I think the economic pressures really began to weigh and pinch the South before Grant did. So I'll answer it that way. And many southerners said, one southerner said, it's a quote in the book, "The Yankees didn't whip us in the field. We were whipped in the Treasury Department." As you said, we can't run the counter-example. But I think the South, you know, surprised on the upside militarily, and certainly the North had all the innovation and all the strength financially. And I think it was dispositive.

GREG MANKIW: If Lincoln hadn't been killed, how do you think subsequent economic policy might have been different?

ROGER LOWENSTEIN: Well, the big fight, the big economic battle, if it was just plain economics, post-War, was about the greenback. So these greenbacks had been issued. There were about $437 million of them, I think is the figure, after the war. They'd been pretty widely accepted in various regions in the north. In fact, they even circulated in the south. To the great chagrin of Jefferson Davis, southerners realized that the greenback was better than the south's own notes and they began using them. Davis hated it. He passed a law against them, but it didn't help.

GREG MANKIW: It's like if you're in Russia right now, you'd probably rather have a dollar than a ruble.

ROGER LOWENSTEIN: Or even a euro. Exactly. But after the war, the consensus stopped. After the war what happened was we begin to see the lineaments of a regional divide on currency. People in the farm states, they wanted expansive currency. They wanted these notes. They actually wanted more greenbacks so there would be some inflation. Farm prices would go up. All of that. All those evil bankers in the east, they wanted tight money, low interest rates so their credit would be good, and this regional divide happened.

And the Republican party itself was split. They sort of went back and forth for about, nearly a decade, until finally 1873, the so-called Crime of the Century, when they legislated that the greenbacks would be backed with gold, meaning brought to a parity with gold, meaning you couldn't have more greenbacks than there were gold, meaning they were basically the same as gold. And we went on a deflationary policy. And actually for the next 30 years, prices came down.

GREG MANKIW: That's right. That brings us to the Cross of Gold speech.

ROGER LOWENSTEIN: Exactly. So shocking deflation, anti-farmer, pro-banker, to put it in very blunt terms. Lincoln was, I think, by nature more of an inflationist. You know, he said something very perceptive early in his career which was, money doesn't do any good unless it's in circulation. You know, it doesn't do any good to have gold in the vault. But I think it's very difficult to look ahead after someone's life. He was going to face extremely difficult issues about reconstruction. He had very strong feelings obviously about equal rights for Blacks, but he had very strong feelings also about the need to reintegrate southerners. One of his last letters was to an Alabaman. He said I don't want to hurt a hair on any heads, meaning southern heads. I want you back in your shops and farms. So, you know, emotionally I think he tilted towards the side of not taking retribution. All these issues were going to come down on him.

I think in some sense his second term, had he lived for it, would have been more problematic than the decisions he had which were almost required in war time. I do know that he said, and this is a sad note, we didn't talk about the Transcontinental

Railroad, which he legislated, a big act of his. But he said, towards the end of his first term and what would be towards the end of his life, that he very much looked forward to riding the railroad when he retired. Of course, that was a step he didn't get to.

GREG MANKIW: Let me be even more speculative. Are there any lessons from that era that we can apply today that are useful in terms of thinking about current economic challenges? To put it another way, if we could magically bring Lincoln back and he could opine on some of our current challenges, do you have any idea what he'd say?

ROGER LOWENSTEIN: Well, I would take him. I would take him. He was, you know, just sort of dealing in his letters, speeches and so on, was really a privilege. He was so wise. He was so humble. I talked about when he took his rival, Salmon Chase, and appointed him to the Supreme judicial job in the country despite all of the offenses. Chase was really horrible to him in many ways. Lincoln just looked past it. He had this ability to look past personal slights and look to the pragmatic effects.

I think his one lesson and it actually goes to, I think, one of Lincoln's mistakes economically, but I think it does apply, Lincoln and Chase were very eager to bring cotton out of the south. They wanted to get the New England mills up here where we are, Greg, running again. They thought that, to the extent that cotton were shipped to Europe, it would bring in gold to the Treasury and improve the balance of payments obviously. And they were very afraid that England and France, which were suffering depressions in their textile districts, would feel compelled to intervene on the side of the Confederacy to get cotton out and so on.

And they promoted this policy of licensing traders to go down and trade with so-called loyal southerners to bring cotton out. And the program, I think, was a complete fiasco. There's really no such thing as a loyal southerner. No way of telling a loyal one from another one. Once you bought cotton, say from an occupied area such as Memphis and New Orleans, there was no keeping the money from going into the Confederacy because the cotton had come from these areas. Grant was furious. Sherman was furious. General Sherman said you just can't, you can't make war on a people and trade with them at the same time.

GREG MANKIW: Well, that's an issue we're facing right now with burning energy from Russia. Right?

ROGER LOWENSTEIN: That's why I bring it up. You said is there an application. So I would say, and it did cause, you know, the North hardship not to have cotton. It will cause the U.S. and Europe hardship. But I would say, you know, the moral equivalent is also that the cotton had been picked by slaves. There's a moral aspect to what's happening, I think in the Ukraine today, we're increasingly reading. If it means that we have to lower our thermostats, if it means we have to share more of the pain with Europe, you know, I think they were wrong in this case and I would like to see the west not finance this war of Russia's.

GREG MANKIW: Right. Well, in our last few minutes, tell me about your research process. How do you start writing a book like this?

ROGER LOWENSTEIN: Well, it's pretty daunting because, I've told people, this is true that of all the books, the ten books I've written, this is the biggest subject, the Civil War. There's the most literature. And it's the one I knew least about going into. There are many aspects of this which are not purely financial unlike most of the other books. And I went to Widener at Harvard, before you go to archives, those kinds of sources, you go to the published literature. And it's just limitless.

GREG MANKIW: You must have gone there and found 5,000 books on the Civil War.

ROGER LOWENSTEIN: Five thousand books and even, you know, economic treatises written back in the 1880s by people who had been alive in the 1900s. But you just start reading. You just start reading all you can. And one writer, sometimes you, I'm a pretty big reader of sources and sometimes you read someone's sources a few times and you read, you know, the same, oh, this guy keeps quoting this guy Mankiw, I better take out

Mankiw's book or whoever it is. And from one to another and at some point, it's happened really in every book, at some point you feel as though the sources are beginning to repeat themselves or repeat what you've read before. And you start moving on to the actual sources themselves, to their archives, their letters. Very few of them are published.

All of Lincoln, as far as we know, every word Lincoln wrote are compiled in a wonderful, published collection. And there's another very valuable source, an anthology of Lincoln's supposed quoted words. It talks about all the things Lincoln supposedly said and this editor went through them and says, well, this source heard him say it. One hour later he wrote it down, it's probably credible. Someone else says, well, this guy heard it from his grandson four years later. You know, and in those cases if I use it, I'll say it's apocryphal. People are always attributing things to Lincoln and you have to be very careful with that.

Even very, I would consider famous Civil War figures like Thaddeus Stevens, most of their letters were not published. A few were published. So you have to sort of, you know, rough through it. Letters are at the Library of Congress and other places and they weren't typed usually so you have to make out their script. It's more difficult in that sense than slogging through, my last book was the Fed, the first decade of the 20th century.

GREG MANKIW: Earlier in your career, you were writing about contemporary issues more, like Warren Buffett and long-term capital management. Now you're doing, these two books have dealt with more historical issues. Was that a hard transition? Is it easier or harder? It sounds much harder to write historical ones because you can't talk to the people.

ROGER LOWENSTEIN: You can't talk to people. On the other hand, you're free to make what you will of them, whatever your conclusion is on Salmon Chase, about his personality, about his skills, about his mistakes. Salmon's not going to write you a letter when the book comes out and say you got it all wrong.

GREG MANKIW: Did Mr. Buffett write you a letter?

ROGER LOWENSTEIN: Charlie Munger wrote me a letter. Buffett didn't. So there's a greater freedom to develop the characters and the scenes in the way, you want to be as right in either case, because you're going to be read by experts and all sorts of other people, but in that sense you have greater license.

And even the contemporary books were filled with as much history as I could get in them. Buffett was born in 1930. And I always loved history. At a certain point, I'd written several books about contemporary crashes – Long-Term Capital and a couple of others.

And I really wanted to do, I got the sense we were going to keep having these contemporary crashes and I wasn't sure I could add that the next one would be so different from the last one. Particularly because I kept saying that whatever one I was writing about was the worst we had ever seen. So I was eager to go to history and I love that as well.

GREG MANKIW: Well, thank you very, very much, Roger. It's great to read them. We appreciate you. Keep turning them in.

ROGER LOWENSTEIN: Thank you. And just always fun to talk to you.

CHAIR JOHN C. WILLIAMS: Our time has run out unfortunately. So thanks again, Greg and Roger, for a fascinating conversation about a very important part of our history. This is the part where I remind people that we have many more great speakers lined up for the spring and so we encourage you to invite guests to our events.

So next up, on April 11th, we have Thasunda Brown Duckett, President and CEO of TIAA and that's going to be an in-person Signature Luncheon and I'm going to be moderating that. I'm looking forward to that. On April 13th, we have Brad Jacobs, the CEO of XPO Logistics. And then on April 14th, we have Rochelle Walensky, Director of the CDC. Now in addition to the event with Thasunda Brown Duckett, we are pleased to have the following several Signature in-person luncheons. And as with all of our in-person events, everyone will have the option of attending in person or digitally. So on April 19th, we have Charlie Evans, President and CEO of the Federal Reserve of Chicago in person. On May 10th, digital only, we have Hugh Frater, CEO of Fannie May. And then on May 16th, we have John Rogers, Chair and Co-CEO of Ariel Investments. And that's another in-person event. And then on June 7th, going ahead to June, we have Arvind Krishna, CEO of IBM, for another in-person event.

So I'd like to take a moment to recognize those of our 345 members of the Centennial Society who are joining us today as their contributions continue to be the financial backbone of support for the Club and help enable us to offer our wonderful, diverse programming now and in the future. So with that, enjoy the rest of your day and stay safe.