At the outset of the United States Civil War, both sides worked to build military and naval strength. For the North and the South, hundreds of thousands of soldiers enlisted, supplies were manufactured and stockpiled, and ships were hurriedly converted from merchantmen into gunboats. Fighting the war would take more than the men and material needed on the battlefield, however. Sufficient funding was essential to maintain flow of supplies and payment of soldiers, both North and South. Multiple avenues of financing the war emerged, ranging from cotton speculation by the Confederacy to wheat exports and public bonds issued by the Union. Hard currency, in the form of precious metals such as gold and silver, remained in high demand. The Union’s gold supply was crucial to its eventual victory and a lack of such in the treasury of the Confederacy hindered its ability to finance its own war effort. Rather quickly, the largest gold transportation route became a military target of significance. For four years, both sides waged a multi-pronged campaign to control the Panama route, the collection of shipping lanes from New England to Panama to California where millions in gold was transported each year. Control of the Panama route and its flow of gold steamers held the potential to tip the financial balance of the United States Civil War, resulting in a campaign of Confederate strikes countered by Union naval and diplomatic interventions focused on protecting both the shipping lanes and the gold steamers plying them.
Recognizing the Importance of Gold and Securing Overland Routes

Upon its formation, the Confederacy lacked the means needed to wage a protracted war. There was no military force to speak of, the government was not yet fully organized, and the fledgling nation was not recognized by any power—though European states would soon grant limited belligerent rights. Beyond these political and military concerns were financial ones. There was no financial backing for the Confederacy and as federal installations were seized by secessionists, very little in the form of hard currency came into Confederate hands. Only the United States mint at New Orleans held stockpiles of precious metals amounting to a mere two and a half million dollars in coinage. There was so little hard currency within the Confederacy that the treasury itself maintained a stockpile of only a half million dollars. More funding was needed to withstand an ever-increasing devaluation of Confederate currency, which continued largely unchecked throughout the conflict.

Union officials looked to target the Confederacy wherever possible, both militarily and economically. As Northern armies fought on the battlefield, economic campaigns were simultaneously being waged by President Abraham Lincoln. To begin with, Lincoln and his cabinet were kept well appraised of Confederate finances, tracking inflation of rebel money. They continuously pushed for a devaluation of Confederate currency, spoiling Southern chances of establishing international lines of credit to purchase arms and supplies.

Citizens in the North also took action, with a more moral ambition that likewise targeted the Southern economy. Abolitionists used this lack of Confederate finances and precious metals to pressure President Lincoln into action against the institution of slavery. “Where are the gold regions, where the public lands of the south?” cried abolitionists across the country who declared that the Confederacy was “decaying beneath the curse of slavery.” Instead, they persisted, all the Confederacy possessed was their surplus of slaves, arguing that the institution itself should be targeted.

The United States Government took notice and soon combined the agenda of abolitionists with wartime measures meant to economically and militarily harm the Confederacy. The Confiscation Acts of 1861 and 1862 were first, allowing for slaves of individuals in rebellion to be confiscated, depriving the Confederacy of slave labor. Some called for further steps, and President Lincoln famously declared that he would take whatever action necessary if “it helps to save the Union.” The issuance of the Emancipation Proclamation solidified the Union campaign against the Confederate economic bastion of slavery and Lincoln was careful to note his action as a “fit and necessary war measure” that was “warranted by the Constitution upon military necessity.” This war measure worked to undo the economic strength that was slavery in the South, further weakening a Confederacy that was devoid of precious metals and working to ensure its destruction as a nation while simultaneously giving the Union both a moral
advantage and renewed manpower strength via the enlistment of freed slaves into the army.\textsuperscript{9}

Thanks to the limited amounts of bullion reserves and the ever-present target against slavery, financing of the Confederate war effort became a major priority for Jefferson Davis and his cabinet. In 1861 alone, the Confederate Army petitioned its Congress for $162 million to purchase supplies and pay soldiers.\textsuperscript{10} For the new Confederate Navy, ships had to be acquired and weapons purchased. Once operating, naval officers constantly complained of a need for more funds to keep their ships at sea and Secretary of the Navy Stephen Mallory was forced to grant special requests for gold to finance Confederate naval operations abroad.\textsuperscript{11} Help from Europe’s creditors was needed to maintain a flow of supplies, especially after the Union blockade became effective in the latter half of the conflict. What little gold the Confederacy possessed was often forwarded to Europe to pay for supplies and to establish lines of credit for future use.\textsuperscript{12} In short, the Confederacy needed gold to finance its war and legitimize itself abroad.

Davis and his advisors turned to an unorthodox source of gold and other precious metals. If they could not rely on their own stockpiles, the Confederate military would capture it from the United States. No easy task, this would require the Confederacy to interrupt a route to California and its many stockpiles of bullion. There were two avenues to do this: by land and by sea. Davis first turned to the ground option and on the recommendation of a trusted Army officer, General Henry Sibley, he ordered a military invasion into the newly declared Confederate Territory of Arizona and the Union controlled New Mexico Territory. Sibley’s forces advanced from Texas and initially met with great success, with elements of the Confederate Army occupying the towns of Tucson, Albuquerque, and Santa Fe.\textsuperscript{13}

Senior Southern officials were well aware that an advance into Arizona and New Mexico was only the first part of Sibley’s plan. Once secured, the Confederates intended to continue their advances, moving into Colorado, Utah, and most importantly California.\textsuperscript{14} Southern minorities existed in these areas and it was hoped that they would rally to Sibley’s Confederates as they advanced. “‘On to San Francisco’ would be the watchword,” boasted one officer in the Confederate column.\textsuperscript{15}

With the securing of California, a new overland route would be established, bringing gold into Richmond instead of New York. Many in the South still wanted more and covetous eyes peered across the border into Mexico, with the ongoing troubles involving French intervention opening doors to potential Confederate occupation of northern Mexico, which possessed “boundless agricultural and mineral resources.”\textsuperscript{16} The Knights of the Golden Circle, a secret organization across the Southern states, held a stated aim of expanding into Mexico and Latin America with the intention of “protecting and extending” Southern values and institutions.\textsuperscript{17} Jefferson Davis himself alluded to this prospect. As Sibley’s forces were campaigning in New Mexico, Davis penned a letter to the governor of
Georgia displaying willingness and legal backing to nationalize state militias for international expansion, citing a hypothetical war with Mexico over the state of Sonora in the letter. Sibley’s men concurred with the president’s allusion, and many marched with the understanding of clandestine goals of acquiring not simply a land route to California and its gold reserves, but also Mexican territory “by purchase or by conquest.”

Confederate dreams of securing a land route to California’s gold reserves and taking possession of northern Mexico were exactly that. Combined Union armies from California, New Mexico, and Colorado defeated Sibley’s men and drove them back into Texas, securing the American Southwest for the United States. For the remainder of the war, Confederate diplomats took over issues with Mexico, attempting to establish free trade agreements for the transshipment of goods across the border. Trade across the Rio Grande continued for the remainder of the war, with cotton being exchanged for weapons and military supplies shipped on vessels skirting the Union blockade by steaming to Mexican ports. Ground operations to secure the gold fields of California and their land routes, however, had failed.

The Naval Approach: Confederate Commerce Raiding and Union Countermeasures

Jefferson Davis was left with one avenue to seize California’s gold: by sea. Fortunately for the Confederate president, there were several factors that made this advantageous. To begin with, the Confederate Navy’s chief, Stephen Mallory, was an able administrator working diligently to build a fleet, both within the Confederacy and abroad. Mallory’s naval strategy was focused on two goals: breaking the Union blockade while protecting Confederate ports and crippling the Union merchant fleet. To do this, Mallory worked to construct ironclad warships capable of challenging any vessel of the United States. Furthermore, new technological and unorthodox innovations such as torpedoes, submersibles, fast striking torpedo boats, and the use of specially trained naval forces were extensively experimented with. Finally, to strike at the Union merchant fleet, Mallory ordered to sea a host of commerce raiders—often styled as pirates by their opponents—whose goal was to make the war too costly for the Union to continue while simultaneously stripping the blockade of the Confederacy. Seizing California’s gold fell within two aspects of Mallory’s strategic vision: commerce raiders and unorthodox techniques. His intention was to target the California steamers which transshipped government bullion to New York City, both by sending ships to intercept and by smuggling armed crews who would potentially seize the ships from within.

Shipments of gold from California to Panama were made by the Pacific Mail Steamship Company and the Atlantic route from Aspinwall—modern day Colón, Panama—to New York was operated by none other than steamship tycoon Cornelius Vanderbilt. Steamers on this route regularly carried hundreds
of passengers to California, returning with gold; a typical shipment ranged in value from $750,000 to well over $1 million.\textsuperscript{26} New gold discoveries in the Rocky Mountains during the course of the Civil War only increased the amount of bullion shipped, with some diplomats boasting “we should have even an oversupply.”\textsuperscript{27} Indeed, the gold shipments—peaking in 1864 at an annual shipment of over $45 million—were key the Union war effort.\textsuperscript{28} The gold shipments, combined with wheat exports to Europe and bonds undertaken by northern citizens, helped to sustain the government completely.\textsuperscript{29} Such loans, amounting to $1.2 million daily by 1863, needed the gold from San Francisco to remain flowing, lest the financial system of the Union face serious threat of collapse from a loss of faith.\textsuperscript{30} The actions undertaken to protect the Panama route would have major consequences, both for the outcome of the war and the future operations of the United States Navy.

![Stephen Mallory, Confederate Secretary of the Navy](https://via.placeholder.com/150)

Stephen Mallory
Confederate Secretary of the Navy
Photograph Credit: Library of Congress, Prints and Photographs Division, LC-BH82-4453

Ultimately, the Confederacy failed in its campaign to intercept the Panama route, though there were numerous attempts and still many more perceived attempts made throughout the war. Confederate raiders provided the most direct threat to the gold steamers, operating from the conflict’s earliest months to even after the armies of the South surrendered. The first raider to fly the Confederate flag at sea was the \textit{CSS Sumter}, commanded by the renowned Raphael Semmes. Escaping the Union blockade of New Orleans in the summer of 1861, Semmes began targeting Union commerce in the Gulf of Mexico. Rumor soon spread amongst Union naval
commanders that Semmes intended to target gold en-route from California. Upon the Sumter’s escape, the senior officer blockading New Orleans sent a report to his squadron commander speculating that the Confederates “might do great mischief and hover about Cuba for the interception of the California mail steamer.”

“The Sumpter [sic.] will soon be in Aspinwall and where will your California gold be then?” asked Lieutenant—and future Admiral—David Dixon Porter, of the senior naval leadership in Washington D.C. Word even reached a gold steamer in Aspinwall. “It was understood that a Confederate vessel was cruising around, in hopes of capturing the California steamer” declared one Union Army officer taking passage east. Ultimately however, the Sumter instead made its way to Europe, leaving California’s gold safe for the moment.

Officers of the Confederate raider Sumter, 1861
Raphael Semmes is seated in the center.
Photograph Credit: US Naval History and Heritage Command, Photo NH 42383

Businessmen and financiers across the North were worried about the threat to their gold even before the Sumter began its cruise. Their consternations only compounded after Semmes took to the open sea. Thanks to the perceived actions of the Sumter, ship captains and stockholders demanded protection by the government. Petitions from senior officials within the Pacific Mail Steamship Company arose not one week after the guns at Fort Sumter began firing. Even before President Lincoln issued his blockade of Confederate ports, requests were being
made by the likes of Cornelius Vanderbilt and his associates in both the Atlantic and Pacific Oceans. “The capture of even one of these steamers by enemies of the Government, either on the Atlantic or Pacific,” cautioned one consortium of New York bankers, “would stop shipments of gold.” Another petition, signed by more New York bankers and merchants, was sent to Gideon Welles the day after Lincoln’s blockade was issued, demanding the Navy offer protection to the gold steamers to ensure their safe and regular arrival at New York.

In 1861, the United States Navy was small. With the need to establish an effective blockade of the Confederacy, few vessels were available to protect shipping lanes. As a result, the gold steamers were left to defend themselves. In the first months of hostilities, appeals came to both Army and Navy offices requesting arms and munitions to protect the Panama route. If ships were not available, surely Washington could spare a supply of cannon and muskets. In April 1861, Cornelius Vanderbilt requested from the Navy 100 rifles to arm his crews. The Pacific Mail Steamship Company received even more support, with the Navy Department offering to loan artillery to arm each gold steamer. Furthermore, if they were needed, Secretary Welles offered to furnish trained sailors to operate the guns—at the expense of the Mail Company. Welles even offered to commission the captains of each gold steamer into the Navy, providing them with more legal protections—though not any pay—in the process.

Sending rifles and cannon onboard the gold steamers was not enough in the minds of the country’s top financiers, who demanded protection by ships of the United States Navy. Washington officials were sympathetic, but at first there were not enough gunboats to go around. In 1862, after a baseline had been established for the blockade, Gideon Welles organized the West Indies Squadron, with the task of hunting Confederate commerce raiders and gunboats operating in the Caribbean Sea. A secondary goal of this squadron was to protect Union shipping as it crossed the area, including vessels threatening the Panama route. The West Indies Squadron remained in place through the conclusion of hostilities. Though it never successfully hunted down any Confederate gunboats in that time, its presence relieved many worries in the minds of both common sailors and shipping giants.

Captain Raphael Semmes was not deterred by these Union countermeasures and he did not abandon his raiding. In late 1862, Semmes returned to the Caribbean Sea, this time commanding the Confederate steamer Alabama. Plying time before commencing an attack against Union forces in Texas, Semmes spent December 1862 scouring the waters between Cuba and Haiti keeping an eye out for a New York bound California steamer. “I hope to strike a blow of some importance,” Semmes wrote in his personal log; his executive officer was less subtle, recording the crew’s desire to “take a California steamer and fill our strong box with gold.”
Using intelligence gathered from newspapers found on recent captures, Semmes determined that a steamer laden with gold should have departed the port of Aspinwall on December 1 and he lay in wait for the ship to make an appearance, keeping a sharp lookout. Unknown to the Confederates, there was a delay in Panama and the homeward bound steamer would not depart for several days. \(^{41}\) The same was not true of the corresponding Panama bound steamer and on the morning of December 7, 1862 the *CSS Alabama* intercepted the Aspinwall bound steamer *Ariel*. Since it was out-bound, there was no gold onboard. As the *Alabama* closed to send a boarding officer, the Confederate officers observed the scene on the *Ariel*. “All her awnings were set,” noted Commander John Kell, “and under those on the upper deck were a crowd of passengers, male and female, and as we drew nearer we could see that there were officers in uniforms and soldiers in groups.” \(^{42}\) The uniformed men proved to be a detachment of 140 United States Marines en-route to California to bolster that state’s military defenses. Accompanying them were several senior naval officers who were likewise on their way to San Francisco. A prize crew of Confederate sailors boarded the *Ariel* to assume possession of the ship; they immediately paroled the Union military personnel onboard, promising to release them as quickly as possible on neutral shores with the promise they would not take up arms against the Confederacy until processed in an official prisoner exchange. \(^{43}\)

*Passengers of the California steamer Ariel look on at the Confederate raider Alabama just before its capture.* Photograph Credit: US Naval History and Heritage Command, Photo NH 59351

Semmes took the *Ariel* in convoy with him, desiring to capture the delayed steamer expected to cross his path from Aspinwall full of gold. The Confederates then intended to take the gold, burn one steamer, and leave the other. The two vessels departed the passage between Cuba and Haiti, steaming west towards
Jamaica where Semmes believed the other California steamer was heading. After two days with no sightings, an anxious Semmes released the *Ariel* on a bond to pay the Confederate Government a quarter million dollars upon the close of hostilities. The *Alabama* then set course for Texas.\(^{44}\)

The seizure and bonding of the *Ariel* caused considerable commotion amongst maritime circles. After releasing the steamer, Captain Semmes’ fame spread further through his sinking of the *USS Hatteras* the next month off the coast of Texas. Semmes then turned his vessel towards the Indian Ocean, hoping to expand his prospects. Even as the *Alabama* steamed in that direction, people across the globe speculated about his desire to capture another gold steamer. As far as Australia, erroneous reports spread that Semmes had successfully made another capture along the Panama route, this one laden with over $1 million in bullion.\(^{45}\) Union commanders held better intelligence reports and knew that the Confederate raider was destined for the Indian Ocean. That, however, did not stop gossip that once there, the Confederate ship would steam east, cross the Pacific, and capture a gold steamer on that side of the route.\(^{46}\)

Amongst Union commanders and politicians, debate about protection for the California gold steamers came to an abrupt halt after the capture and bonding of the *Ariel*. With the capture of California’s bullion very nearly realized, an explosion of requests and protests quickly met the Union Navy Department; it was quick to respond. Once word reached Washington D.C. that the *Ariel* had been captured, Gideon Welles immediately dispatched the *USS Connecticut* to Aspinwall to begin a regular convoy of the California gold steamers.\(^{47}\) After being released, the captain of the *Ariel* refused to take on any gold for his return route until the Union Navy would protect his ship, believing that the *Alabama* was waiting for his vessel to return for an easy capture.\(^{48}\) The convoy system initially did not operate for the entire length of the Atlantic Ocean element of the Panama route. Ships would remain under escort from Aspinwall to the Yucatan-Cuba passage. From there, it was believed that the Union blockading squadrons operating off the Confederate coast would provide sufficient protection. Never before in the history of the United States Navy had it operated a regular wartime convoy system and such a system had not been seen in the Americas since the Spanish Treasure Fleet convoys escorting gold from colonies to Spain.\(^{49}\)

Another result of the *Ariel*’s capture was a severe spike in insurance rates for all gold steamers. With the threat of capture always over the horizon, insurance rates among Union merchant shipping rose steadily. Many New Yorkers refused to ship their goods using the California steamers because “the risk of capture is too great.”\(^{50}\) Indeed, insurance manifests for the gold steamers soon included a stipulation that all cargo was guaranteed to arrive safely and on time, but only with numerous exceptions that included among its listings “enemies, pirates, robbers, thieves” and a host of accidents; such stipulations could not keep rates down and soon enough insurance rates for vessels on the Panama route were as high as those for ships operating directly off the Confederate coastline.\(^{51}\)
The *USS Connecticut* remained on station, convoying gold steamers from Aspinwall into the Gulf of Mexico for four months. From there, the *USS Mercedita* was dispatched to continue the operation.\(^52\) The convoy system was soon expanded to include escorting Panama-bound steamers laden with passengers from New York as they journeyed through the Caribbean Sea. To maintain the readiness of the escorting warships, a coaling and supply station was established at Cap-Haïtien in northern Haiti, supported by a regular shipment of coal from Navy Department warehouses. The wealthy of New York extended their cooperation by solidifying a regularized passage of these convoys, with three traveling both to and from Aspinwall in the Atlantic each month.\(^53\)

Regular convoys continued in this fashion into 1864. When Confederate warships began steaming in the Atlantic that summer, the convoy was reinforced and extended to cover the entire Atlantic seaboard. “Send any vessel with the California steamer,” Welles ordered his squadron commanders; “she must under no circumstances go without a convoy.”\(^54\) Two ships were ordered to supplement the West Indies Squadron to maintain the expanded coverage, which continued into early 1865 when the blockade of North Carolina was solidified via the seizure of Fort Fisher, the last major open Confederate port. The original
partial convoy continued until the complete collapse of the Confederacy in May 1865, successfully preventing any California gold from being seized under the Confederate flag.55

Other Confederate ships remained on the prowl for Union gold steamers throughout the war, working to breech the Union convoys or to happen upon an undefended gold steamer. As the Alabama was steaming towards the Indian Ocean, another commerce raider, the CSS Florida, was making captures in the Atlantic. Rumors quickly spread that this raider was working to make a capture even more impressive than Captain Semmes had accomplished. The Consul at Nassau in a dispatch to Secretary of the Navy Gideon Welles reported that the Florida’s destination “is reported to be the Isthmus, to waylay the California steamers.”56

Across the Atlantic in Europe, naval officers were working diligently to prepare a host of combat ready vessels, both commerce raiders and ironclads, for the Confederacy. “The interception of the California steamers also offers good service” was among the guidance Stephen Mallory directed to Flag Officer Samuel Barron for these ships.57 One of Barron’s subordinates, Commander James Bulloch even proposed sending the European built ironclads on a gold finding spree, either seizing it from California steamers or by raiding Union ports.58 Though these ironclads would never fly the Confederate flag—they were detained by the British for violating neutrality agreements—other European-built ships did. As each successfully made it to sea, their captains remembered the orders issued by Flag Officer Barron. Two vessels of note made their appearance as the war was closing. The CSS Stonewall was the Confederacy’s only European-built ironclad warship. Heavily armed and armored, many speculated that the Stonewall could work wonders in turning the tide of the war. This overzealous belief was imprinted in the orders of Captain Thomas J. Page to break the Union blockade, attack New England ports and fishing fleets, and capture a gold steamer.59 None of this was accomplished and the Stonewall instead surrendered in Cuba upon hearing of the Confederacy’s collapse.60

The final Confederate warship acquired in Europe was the CSS Shenandoah. A wooden steam powered commerce raider, the Shenandoah was the only Confederate ship to circumnavigate the world, steaming as far as the Bering Sea and striking a crippling blow against the whaling fleet there. Upon leaving Alaskan waters in April 1865, the vessel’s captain turned the Shenandoah south and east, tracking for San Francisco. For a time, an attack against that port city was contemplated, and the crew kept a sharp eye “to look after the steamers running to and from Panama for San Francisco.”61 Just as with the ironclad Stonewall, the Shenandoah was too late to do anything and upon hearing confirmed news that the war was over, the crew abandoned their plans, disarmed the ship, and steamed back to Britain to surrender.62 Ultimately, Stephen Mallory’s plan of intercepting California gold steamers on the high seas by his own raiders was never fully realized.
Privateers, Diplomats, and a Shift to Unconventional Approaches

Recognizing that his commerce raiders could potentially fail, Mallory also turned to more unorthodox methods to interrupt the Panama route. Though much of Europe had outlawed the use of privateers in 1856, neither the United States nor the Confederacy were a party to the agreement and thus, as the war commenced, President Jefferson Davis issued a call for letters of marque and reprisal. Dozens of wealthy and adventurous volunteers flocked to form their own privateer societies. As these privateers begin making their way to sea, word spread quickly among Union merchants of their proposed danger. Just a few weeks after the opening of hostilities, word reached New England of a potential privateer operating from Texas with intentions to seize a California steamer. As the Union blockade became well established, the days of privateers operating out of Confederate ports ended. Adventurous prospectors however, continued looking for ways to strike it rich by attacking Union shipping.

One such organization of prospectors intended to bring the war to the coastline of California itself. A secret organization of Confederate sympathizers formed in southern California with the purpose of providing material assistance to the Confederacy by disrupting the Pacific Mail Steamship Company’s operations. A small team from this organization decided that direct action was best; they determined to buy a ship in California, arm it in international waters, and prey on the route of the gold steamers in the Pacific. One of the men, Asbury Harpending, travelled personally to Richmond, Virginia for an audience with Jefferson Davis. The proposal was approved by the Confederate President, who believed that success in this endeavor would “be more important than many victories in the field.” Davis provided a letter of marque for use by the organization upon their successful putting to sea.

In the Pacific Ocean, the limitations of the United States Navy were plentiful. The entire Pacific Squadron numbered only a handful of ships in 1861. These few vessels were ordered to sea at the start of the war, with only one remaining to protect San Francisco harbor. “Concentrate your force on the route from Panama to San Francisco,” Welles ordered the Pacific Squadron commander. At least one ship was always kept patrolling the Panama route through the war, but often ran into disrepair at the expense of remaining at sea.

Knowing this, several vessels were inspected by Harpending and his associates. None proved to be fully up to their specifications, but the clandestine organization decided to act before being exposed and they purchased the ninety-ton vessel *J.M. Chapman*. Two light-weight cannon were discreetly purchased and loaded onto the *Chapman*, along with a supply of rifles and gunpowder. To maintain their ruse, the ship was registered for a legitimate trip from San Francisco to Mexico. The vessel was scheduled to put to sea on the night of March 14, 1863. At the last minute however, the *Chapman*’s navigator got cold feet, rushing to inform the United States Navy gunboat anchored in San Francisco harbor of the plot. The next morning, the Confederates were working
to get the Chapman underway when several armed boats from the Union Navy arrived on the scene, accompanied by a tug filled with San Francisco police. The Confederate sympathizers surrendered without incident, ending the only major effort to arm a Confederate privateer in the Pacific Ocean.68

The senior conspirators were brought to trial in California on charges of providing aid and comfort to the enemies of the United States. Testimony was provided by military officers, local citizens, and police. Three conspirators were found guilty of treason, sentenced to ten years of imprisonment, and each fined $10,000. The sentences were short-lived. One conspirator, a British citizen, was pardoned on the order of President Abraham Lincoln while the remaining two took an oath of allegiance to the United States and were released a few months later.69

Speculation about other privateers in the Pacific continued through the war, though it never amounted to anything as organized or truthful as the Chapman case. One newspaper reported in 1864 that a collection of six vessels was being delivered to Chinese waters by the British. Once there, these six ships would, instead of being delivered to China, hoist the Confederate flag and set sail for California “to attack San Francisco, or lie in wait for the California steamers.”70 This instance proved another case of mere conjecture by reporters, but it does show that even the thought of Confederate privateers operating in the Pacific greatly concerned Unionists. Other international privateers were reported by diplomats in Europe to be fitting out from Britain, but these claims likewise never amounted to anything.71

Perhaps the most desperate tactic employed by Stephen Mallory was the direct boarding of gold steamers. By seizing vessels by force after securing passage through subterfuge, the Confederates could operate in smaller teams with little support. For very low operational cost, there could potentially be a huge payout for the Confederacy and as the war dragged on, this became a more attractive option for an increasingly desperate government. Thus, in several instances towards the end of the war, Mallory ordered such operations carried out. The first mention of such an operation is recorded by Gideon Welles in December 1863. The Union Secretary of the Navy recorded notes from a Cabinet meeting, penning in his diary that several encrypted Confederate messages had been deciphered. Lincoln’s Cabinet concluded that the letters told of a soon to be carried out expedition by a small team of Confederates to travel to Panama, board a California steamer, and seize it from within. In consequence, Welles’ associates quickly “asked about gunboats,” demanding that more be provided to protect the Panama route.72

Welles’ first recording of an inside conspiracy to capture a California steamer proved incorrect. It did however, alert senior Union politicians that such an act was possible and precautions began to take effect. New passport systems were established in 1863 to alleviate concerns of the owners and operators of the gold steamers. This order allowed for the searching of all passengers moving along the
Panama route and the seizure of all contraband or weapons found in the possession of each passenger. In one of the first instances of this order being carried out, the passengers of the Aspinwall-bound steamer *Illinois* were searched. The discovered contraband was staggering: “one hundred and sixteen revolvers, 16 rifles, and 7 fowling pieces [shotguns] were taken,” declared the leading newspaper in Washington, D.C. This system of contraband seizure, which remained in effect for the remainder of the war, provided one more level of protection that, if a Confederate plot did manage to successfully sneak onto a gold steamer, may have either prevented or delayed its capture long enough for assistance to arrive.

Speculation about planned Confederate operations continued. One claim was made in February 1864 by Union General Benjamin Butler. “I have reliable information,” Butler cautioned in a note to the Navy Department, “that a party has already started from Nassau to California to take passage on an Aspinwall steamer and capture her at sea.” Word of this secret Confederate attempt spread quickly, even across the Pacific Ocean to Australia. By the time it reached the British colony, the story had altered and grown from a band of Confederates secretly boarding the gold ship to a large warship being dispatched to capture it. Just as in the case of the incident mentioned in the diary of Secretary Welles, this attempt never came to fruition. Word of such attempts spread and suspicious characters on any large steamer became suspect. One group of Confederates, travelling by steamer from Canada returning to Confederate territory from Europe, was involved in an embarrassing incident. The group of men, not wearing their uniforms as prescribed during such travels, were recognized as Confederate naval officers. The passenger who recognized the group grew nervous and cried out that the Confederates were going to seize the vessel. Passengers, including many women and children, ran to find safety while the officers stood there laughing, with no intention of seizing the neutral passenger ferry. Their joke was the horror of many civilians in the Atlantic and as the war progressed, such false alarms only increased in frequency.

The most serious threat directed against a California steamer in this manner was done by a small band of Confederates led by Thomas E. Hogg. A Baltimore native and Acting Master in the Confederate Navy, Hogg had a reputation for accomplishing much with little. Stephen Mallory turned to him to organize a team of specially trained seafarers with the object of capturing a gold steamer as it left Panama. His orders, issued in May 1864, were clear. After making their way to Aspinwall, the team was directed to capture as much gold as possible, depositing it on a British steamer for transfer to Confederate agents in Europe. After forming and going over specifics, Hogg split his team, leaving the Confederacy through Wilmington, North Carolina. Six men boarded a British mail steamer, half at Havana and half at Saint Thomas, bound for Aspinwall. As many as twenty sailors were believed to support the operation.

Union diplomats and naval officers tracked Hogg’s movement through the Gulf of Mexico and Caribbean Sea. Arriving in Aspinwall in October 1864,
Hogg’s team purchased some 300 pounds of gunpowder and made plans to book passage on the steamer *Guatemala*. Word preceded their arrival however, and the American consul in Panama ordered the steamer away, buying several days before the arrival of the next steamer. In reality, senior members of the United States Navy and the Pacific Mail Steamship Company were working to catch the Confederates in the act.

Hogg and his associates were unaware of such plans as they purchased tickets to board the *Salvador*, the next gold steamer on schedule to arrive. On the morning of November 10, 1864, the Confederate team boarded the *Salvador*, acting as inconspicuous as possible. The captain of the gold steamer brought the men below deck to conduct the required baggage inspection for contraband. While Hogg and his men were below, several boats, fully armed with sailors from the nearby anchored *USS Lancaster* approached and quietly boarded the *Salvador*. When the moment was right, the Union sailors burst into the lower deck and captured the Confederates without firing a shot. An inspection of their baggage produced letters from the Confederate government, as well as hidden weapons, handcuffs, and the cache of gunpowder. Word quickly spread throughout Northern newspapers, which celebrated the coup.

Stephen Mallory continued his efforts to send out teams to capture gold steamers from within. Even in March 1865 as the war was reaching its conclusion, naval officers were forwarding to Washington intelligence of planned
operations to seize the gold steamers by both the Confederate Government and sympathizers. Ultimately however, the campaign proved a complete failure. Despite frequent attempts, only one empty California steamer, the *Ariel*, was captured. The Confederate Navy tried numerous methods but in each course of action, they were adequately countered by operations conducted by the United States Navy and backed by the support of the Union diplomatic corps and the ships operating on the Panama route.

**Conclusion**

In four years of war, the Confederacy failed to capture any gold transshipped from California. Numerous operations were conducted by Stephen Mallory, including both direct capture by warships flying the Confederate flag and capture through subterfuge by cutting out a vessel from within. Success in this, as one Confederate newspaper editorialized, would “establish a currency much superior to that which we now enjoy, besides taking so much from the vaults of the Yankee banks” which was recognized by Unionists to form “the life-blood” of the financial security of the United States.

Efforts by both sides in this campaign had far-ranging consequences, especially regarding military tactics that would evolve into the twentieth century. The commerce raiding that Mallory employed, in part to capture the gold steamers and in part to destroy the United States merchant fleet, was a Confederate success story overall. In the respect of the merchant shipping, the Confederate raiders were successful in numerous aspects, slashing the amount of ships operating on the high seas and flying the flag overseas to bolster diplomatic requests. Such raiding was copied by the French during the Franco-Prussian war in the 1870’s. Germany took heed of such action and as the twentieth century dawned, commerce raiding shifted in form, with vessels that were once above the water moving to those below. Submarines became the new commerce raiders and Germany and the United States each employed submarine raiding effectively in both World Wars. Union convoy systems to counter these raiders were likewise reinforced and utilized extensively. Commerce raiding continued after the mid-20th century in the form of Iranian ships and aircraft attacking Iraqi oil tankers during the Iran-Iraq War of the 1980’s. Most recently, the United States undertook a large convoy system in the Middle East under Operation Earnest Will during wars between Iran and Iraq in the 1980’s.

The campaign for control of the Panama route was a resounding Union victory. No bullion was seized and almost every effort was successfully overcome. Thanks to this victory, the United States was able to more effectively pay for its military expenditures while depriving the Confederacy of critical funding. This campaign did two things. For one, it shows how desperate the Confederacy became to both finance their own war of independence, as well as prove their naval forces effective through unconventional means. For another, this campaign provided the United States Navy with some much-needed exposure to unfamiliar
operations, particularly the convoys of merchants. The story of this campaign is one that falls into line with previous histories of the United States Civil War. The Confederate Navy—as well as the entire Confederacy itself—fought outnumbered, underfunded, and undersupplied. The Confederacy’s naval forces attempted to overcome such deficiencies through innovative and unconventional means, including the campaign against the gold steamers. Such means, however, were defeated by the larger and more organized United States Navy, which played a pivotal role in the eventual defeat of the Confederacy and in the protection of California’s gold supply throughout the conflict.

NOTES

1 A full transcript of the British Proclamation of Neutrality can be found in: Mountague Bernard, A Historical Account of the Neutrality of Great Britain During the American Civil War (London: Longman’s, Green, Reader, and Dyer, 1870), 135-136. See also, D.P. Crook, Diplomacy During the American Civil War (New York: John Wiley and Sons, 1975), 34-35.

For the neutrality of other powers including France, Spain, the Netherlands, and Brazil, see John Bassett Moore, A Digest of International Law, Vol. 1 (Washington, D.C.: Government Printing Office, 1906), 184-185.

2 C.G. Memminger, Report of the Secretary of the Treasury (Richmond, VA: Confederate States of America Treasury Department, 1863), 1.


9 Both during and after the war, the United States Supreme Court upheld the actions President Lincoln took regarding confiscation and emancipation, citing his wartime powers to weaken the Confederacy economically and militarily. See Daniel Farber, Lincoln’s Constitution (Chicago, IL: University of Chicago Press, 2003), 154-7.


13 Martin Hardwick Hall, Sibley’s New Mexico Campaign (Austin, TX: University of Texas Press, 1960), 53, 115-6. 120.

14 William Clarke Whitford, Colorado Volunteers in the Civil War: The New Mexico Campaign in 1862 (Denver, CO: Colorado State Historical and Natural History Society, 1906), 11.


16 Crook, Diplomacy During the American Civil War, 160; Latham Anderson, “Canby’s Services in the New Mexico Campaign,” Battles and Leaders of the Civil War, Vol. 2 (New York: The Century Co, 1887), 697.

17 “Order of the Knights of the Golden Circle, - Its Objects, Aim, and Principles,” Dallas Herald (Dallas, TX), February 20, 1861.


19 Teel, “Sibley’s New Mexico Campaign,” 700.

20 Donald Frazier, Blood Treasure: Confederate Empire in the Southwest (College Station, TX: Texas A&M University Press, 1995), 231-258.


22 William Watson served on a blockade runner transporting goods to Mexico. See William Watson, The Adventures of a Blockade Runner or Trade in Time of War (London: T. Fisher Unwin, 1893), 19. For transfer of weapons to Texas see “The Ordinance Department,” Dallas Herald (Dallas, TX), June 14, 1862.


42 Kell, *Recollections of a Naval Life*, 203.


45 “Reported Seizure of a California Mail Steamer by the Alabama,” *McIvor Times* (Heathcote, Australia), September 18, 1863.


64 Daily Green Mountain Freeman (Montpelier, VT), April 22, 1861.


67 Harpending, The Great Diamond Hoax, 78.

68 United States v. Greathouse et al. (1863), 26 Fed. Cas. 18, Case No. 15, 254.


70 “A Rebel Fleet in the Pacific,” Weekly Herald (Rutland, VT), February 18, 1864.


76 “Sydney,” Argus (Melbourne, Australia), May 11, 1864.

77 Morgan, Recollections of a Rebel Reefer, 189-90.


81 “From Panama,” Evening Star (Washington, D.C.), December 5, 1864.


83 “The War,” North Branch Democrat (Tunkhannock, PA), December 7, 1864.

84 “The Gazette,” Lewistown Gazette (Lewistown, PA), December 7, 1864.

85 “From Panama,” Evening Star (Washington, D.C.), December 5, 1864.


87 “Privateering,” Edgefield Advertiser (Edgefield, SC), August 19, 1863; Anderson, “Canby’s Services in the New Mexico Campaign,” 698.

88 James Russell Soley, The Blockade and the Cruisers (New York: Charles Scribner’s Sons, 1885), 230.