

ECONOMIC HISTORY

A Tale of Two Virginias

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The economics of West Virginia's secession

What we know today as the state of West Virginia used to be 55 counties that were part of Virginia. By the Civil War, the economic and demographic differences between many of these counties and the rest of the Old Dominion had become so pronounced that the secession was seen by many at the time as inevitable.



On April 17, 1861, the convention called by the Virginia General Assembly to consider secession from the Union met in secret in Richmond. This meeting was viewed with suspicion by some attendees — namely, many members of the delegation from the western counties of Virginia. When the final vote was tallied, the secession measure had passed: 88 to 55. At the convention, most of the “no” votes came from 32 delegates from what we know today as West Virginia, mainly from the northern, western, and central parts.

Three days after the convention adjourned, 22 of the delegates opposed to Virginia’s secession found themselves in another secret meeting to contemplate another secession. The site of the meeting was the room of Sherrard Clemens at the Powhatan Hotel near the capitol. Clemens was a U.S. congressman who was famous for challenging the governor’s son to a duel in 1859 over actions taken during a gubernatorial race. (He sustained a near-fatal wound then.) The attendees of the Powhatan Hotel meeting decided they would “oppose secession to the last,” wrote Charles Ambler,

one of the most prominent historians of this period. And they also went one step further: They agreed that it was time to promote secession of the western counties of Virginia — or, at least, as many of them as possible — from the Old

Dominion and cast their lot with the Union.

This was not a rash decision but instead the peak of an emerging

“sectionalism” that saw the western counties as too unique to fit with the rest of Virginia. Part of the difference was from attitudes over the morality of slavery. Another was demographic — the ethnic composition of the new immigrants to the western counties was different than that of the eastern ones.

The main divergence was largely over economic issues. Many within the western counties viewed the attitudes and policies supported by many in Virginia as inhospitable to the prosperity of non-slaveholder farmers and businesses. Ambler makes the case that the split was inevitable in his history of the period. Historian Barbara Rasmussen notes: “West Virginia statehood was long in the making and had its start in politics driven by economic interests, not abolition.”

The Seeds of Secession

The economic differences between the western counties that eventually seceded from Virginia and the rest of the state were long-standing and based on a series of specific factors. The economic differences that arose from western Virginia’s unique geography were indeed large factors. These western and northwestern areas of Virginia were mountainous and rugged, and winters came early. None of this made the area conducive to the production of tobacco, a cash crop for the eastern counties. The plantation system that was typical of tobacco farming never took hold and, as such, neither did widespread slave ownership. The counties were instead characterized by collections of yeoman farmers.

Some of the wealth generated after 1812 also came from the mining of natural resources. The production of salt was lucrative, and later came the dominance of iron and coal mining.

On the farms, hogs, corn for whiskey, sheep, apples, and lumber were the main agricultural emphasis. And having the Ohio River along their western border gave the western counties of Virginia better initial access to the interior waterways of America to transport all of their products — an endeavor made all the more profitable by the invention of the steamboat.

The demographics of the western counties also differed from those of eastern Virginia. Scotch-Irish and German immigrants tended to move west to where the nonslave jobs were. Many other workers also moved west, mainly from Pennsylvania, New Jersey, New York and New England — none of which had ingrained loyalties or ties to the Old Dominion. Meanwhile, the eastern counties were largely characterized by bloodlines that could be traced to original colonists and over the ocean to England. As historian Charles Ambler wrote in his classic 1904 work, *Sectionalism in Virginia from 1776 to 1861*, as population moved westward and became more diverse in nationality, the “contrasts and conflicts between the older and newer societies became more pronounced.”

One of the most pronounced differences was over the issue of slavery. In addition to the relatively small benefit of slave labor in the more mountainous counties, the new immigrant population tended to be religiously and ideologically opposed to slavery. Couple that with the aforementioned lack of slaves in the western counties generally, and it is easy to see the budding schism. Such was identified at the time by many Virginia residents, including those in the slaveholding eastern counties, like the areas of the Tidewater along the Chesapeake Bay.

Yet, as volatile as the slavery issue was — and although there was indeed a small enslaved population in the western counties — other pressing political questions had a more direct economic influence on the western counties. Of primary importance in the early 19th century was access to capital. At that time, the only two legally chartered banks in all of Virginia were located in Richmond. Coins issued by these banks were too scarce to serve as a suitable medium of exchange out west. So private citizens created unincorporated banks to issue notes, which circulated freely based on the reputation of the issuer.

After petitioning the state legislature to open some western banks, the legislature agreed to charter banks in Winchester and Wheeling in 1817. Yet other banking centers — Baltimore, Pittsburgh, and Philadelphia, in particular — had already gained a foothold in the region and continued to fund much of the commercial activity afterward.

While the western counties became more prosperous and populous, the political dynamic in matters of East versus West was dictated by a political system that Thomas Jefferson noticed as early as 1790 was unbalanced. The imbalance was driven largely by a voting system that gave more weight to slaveholding counties. The attempt to address the inequities resulted in a constitutional convention in 1830. But the outcome was not to change the

apportionment rules that favored slave owners. Instead, the agreement added more seats to the state’s Senate and House which were awarded arbitrarily to the western counties.

This hardly ended the sectional strife. In fact, it set off a short-lived and unsuccessful movement among the northern panhandle counties to consider a merger with Pennsylvania.

Another important sectional conflict is illustrated after the advent of rail travel. The Baltimore and Ohio Company wanted to extend their railroad through Virginia, heading west to the Ohio River by passing through the Kanawha River valley. The General Assembly was concerned about the proposed route running too far south and causing the state to lose trade coming from the west as it could be rerouted to Baltimore and Philadelphia instead. So they initially vetoed the request of the railroad. They opted instead to support other projects — both rail and waterway — that they reasoned would direct more trade eastward toward Richmond and Norfolk.

Instead, the B&O Railroad eventually extended west out of Washington, D.C., through Cumberland, Md., and back into what is now West Virginia. Over time, it made cities along its route, such as Grafton and Fairmont, into industrial centers. It also contributed to making Wheeling a vibrant center of commerce, rivaling Pittsburgh. “With the building of the [B&O Railroad],” wrote historian James Morton Callahan in 1923, “the trans-Allegheny Northwest became independent of Richmond. Trade could no longer be diverted from Baltimore to Richmond.” He concluded that this indicates that the “line of business separation was drawn a quarter of a century before the act of political separation was accomplished.”

Of course, many railroads and road improvement projects didn’t come cheap and many were financed at least partly by tax revenue. But the counties of western Virginia were wary of any project that the eastern legislators might have been likely to support that mainly benefited the southern and eastern parts of the state.

The tax code tended to favor slave owners at the expense of eastern farmers by exempting slaves under a certain age from taxation and nominally taxing the others. Meanwhile, taxes on land and livestock, assessed at their full value, hit those in the West hardest. Also, the convention called in 1850 to reform the state constitution — like the one in 1830 — yielded a change that prohibited the state government from pledging the credit of the state to defray the obligations of any company or corporation. This effectively put an end to some government-supported “internal improvements,” such as certain road projects, that the western delegations were demanding. Later, the tax inequality was further exacerbated in 1860 when the General Assembly increased taxes on wool — raised mostly in western Virginia — while keeping untaxed eastern tobacco and wheat crops.

The Wheeling Conventions

The year after the wool tax was passed as a way to finance the state’s military mobilization, the state of Virginia voted

to secede from the Union. Yet, as expected, the support for severing ties with the North was far from unanimous. Indeed, there were even some differences of opinion in the western counties.

When the “Cotton States” like South Carolina proposed secession, opinions in the western part of Virginia were generally skeptical. Here economic concerns seemed again to play a role. As Ambler wrote in his 1933 history of the state: “To West Virginians, Constitutional guarantees were generally considered sufficient protection for property rights of all kinds and for other rights as well.”

The chief concern among many was that, in the case of Virginia’s secession, their own land would be seen as a battleground frontier by the competing armies. Council meetings in some of the counties resulted in resolutions stating adherence to the Union, invoking the Constitution as an important protection of their prosperity.

It is worth noting that there was hesitancy over secession in the eastern parts of Virginia as well. Seven southern states seceded in late 1860 and early 1861. During this time, eastern newspapers urged state leaders to take the lead in securing concessions from the North before considering secession. This was, reports historians Otis Rice and Stephen Brown, “a view shared by many Virginians, even those east of the Blue Ridge.”

In early 1861, when the secession convention that had been called by Governor John Letcher had adjourned and the western delegates had finished their meeting in the Powhatan Hotel, the fate of Virginia was left in the hands of voters. The secession ordinance was to come to a vote on May 23. But some western leaders were urging a preemptive meeting to consider plans to secede to the Union if the ordinance passed.

Then, almost as if the intent was to further alienate the western counties, the Virginia governor instituted on May 11 a ban on shipping flour, grain, pork, beef, or bacon to Ohio or Pennsylvania. This further drove a wedge between the economic interests of western Virginians and the political reality of staying dependent on Virginia.

The counties that largely supported creating a new state chose the city of Wheeling as the site of their convention which took place May 13 to May 15. Turning back proposals to declare their intent to secede before the May 23 vote, the delegates settled on reconvening on June 11 after the result of the secession referendum had been established.

Most of the counties of northwestern Virginia voted substantially against joining the Confederacy, perhaps by as much as a 3 to 1 vote. There were, however, 11 counties — mostly in the center of what is known today as West Virginia — that didn’t favor the Union. These counties were sparsely populated, but their inclusion in the final boundaries of the new state wasn’t a foregone conclusion at the time.

As the war progressed, Union forces drove Confederate soldiers out of the Kanawha and Monongahela Valley by July. The most pro-Union of the delegates to the final stage of what became known as the Second Wheeling Convention —

which had initially begun in June — now had momentum at their back. At its end, the delegates elected Francis Pierpont, a delegate from Marion County, to be the nominal “governor” of the new state.

The convention adjourned in late August after deciding to submit the statehood referendum to a vote on October 24. It passed overwhelmingly — 23 votes in favor for every 1 opposed. All told, 39 counties approved the formation of a new state.

A New State

The boundaries of the new state were still a sticking point when delegates to a convention called for the purpose of writing the state’s constitution met again in Wheeling starting in late November 1861. In addition, there were some sectional issues that arose during this final Wheeling convention as a result of each county’s economic concerns.

The route of the Baltimore and Ohio Railroad was a key factor in the inclusion of the counties that would become West Virginia’s eastern panhandle, even though these counties were generally supportive of the Confederacy. Those counties — Jefferson, Berkeley, Morgan, Hampshire, Hardy, and Pendleton — were added only on the condition that voters approve admission into the new state. Of 11,000 voters, only 1,610 cast ballots. Only 13 of those votes were against statehood, leading some to speculate that pro-Confederacy sentiment was suppressed. (Later legal challenges to the boundaries of the state — mounted by the eastern panhandle counties — were rejected by the Supreme Court in 1871.)

Moreover, the counties of the southern part of the state that had supported Virginia secession from the Union “were included even against their wishes,” suggests Ambler. To safeguard against their future political influence, however, he reports that when the constitution was finally written, their representation in the state legislature was reduced to a minimum.

All told, 50 counties were included in the state boundaries. Five counties (Mineral, Grant, Lincoln, Summers, and Mingo) were added after statehood.

Another issue concerning government support of infrastructure projects seemed to mimic the political debates about why West Virginia should secede from Virginia in the first place. Delegates from the Kanawha Valley wanted road and railroad improvements and argued in favor of constitutional authorization for the state to issue bonded debt for such projects. The northern counties indicated no desire to include such a provision. When the vote was taken on the amendment to allow bonding, it was rejected by a vote of 25 to 23. A last-minute compromise that allowed the state to support infrastructure in other ways, including a mechanism that allowed the creation of specific taxes to pay off new projects, allowed the convention to end on a note of harmony. The constitution also included provisions to eliminate classifying property of different types for the sake of taxation — a response to the offense many took to the favor-

ing of slave property over other forms of property in the antebellum days.

In April 1862, voters of the then-fledgling state approved the new constitution, and in May the new “Restored Government of Virginia” petitioned the U.S. Congress for recognition of the state. As Congress deliberated, the Union was effective at holding the line in West Virginia despite a few attempts by the Confederate army to capture territory. Indeed, when the de facto legislature of West Virginia sent to the Virginia General Assembly a request to secede in May, it was granted. When Congress finally granted approval in December and President Lincoln concurred, the only step to be taken was a referendum terminating slavery in their territory, which passed handily.

The state of West Virginia was accepted into the Union

on June 20, 1863. It has the distinction of being one of only two states formed during the Civil War (the second was Nevada). Additionally, it was the only state to form by seceding from a Confederate state (though similar proposals were debated in other states, including North Carolina and Tennessee).

Yet, while many of the debates about secessions are largely looked upon as epic battles over abolition, West Virginia’s secession was mainly the result of economic concerns. As Rasmussen notes, those most eager to secede from the Old Dominion were acting on “an extremely rational expression of enlightened self-interest.” In retrospect, it’s no mystery why the western counties sought to leave Virginia. Perhaps a more difficult question is why the marriage persisted as long as it did. **RF**

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whether current Fed actions may jeopardize Fed independence in the future. This recession has spurred new expansions in the Fed’s loan portfolio, opening up its lending window to institutions that were not privy to Fed funds before the economic downturn. Indeed, some have argued that this has been a long-standing shift in Fed credit policy that started with lending meant to prop up the Penn Central Railroad in 1970, the infusion of liquidity the Fed provided to the failing Continental Illinois National Bank in 1984, and the engineered bailout of Long-Term Capital Management in 1998.

Consequently, economist Marvin Goodfriend, formerly of the Richmond Fed and currently of Carnegie Mellon University, has proposed a “new accord” for Fed credit policy. Meant to mimic what the Treasury-Fed Accord did for monetary policy, the goal would be to place explicit boundaries on actions that could harm Fed independence.

“It’s important to appreciate the difficulties to which the Fed exposes itself in the pursuit of credit policy initiatives

that go beyond traditional last resort lending to banks,” notes Goodfriend. Not only does it open the door for more congressional pressure to lend to some and not to others, but it also puts the Fed in an untenable position when the Fed must cooperate with the Treasury on items such as banking regulation and payments system policy. “This interdependence exposes the Fed to political pressure to make undesirable concessions with respect to its credit policy initiatives in return for support on other matters.”

Only time will tell whether the recent expansion in Fed lending will be temporary or not. In the meantime, it’s important to understand the historical experience of the Fed. The independence of the Fed is something that Fed policymakers still tend to guard closely. Yet it’s not always the case that independence is taken away all at once as it has been in previous decades, particularly during wartime. Some Fed observers and policymakers worry that actions that may seem well-intentioned and short-lived today could chip away at Fed autonomy over the long term. **RF**

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