American Civil War 1861 – 1865
General Historical Impact
Traditionally, it was assumed that the slump in the cotton industry was the simple result of a shortage of raw cotton created by the blockade of the southern ports during the Civil War. As a result, the depression came to be called the “Cotton Famine”. However, recent academic research questions this interpretation, believing that the depression in the cotton industry was inevitable since the boom of the late 1850’s had created an over-capacity which was unsustainable. In addition, raw cotton prices rose, less to do with an absolute shortage of raw cotton than the expectation of one, leading to speculation amongst dealers and some millowners.

The position of many producers was aggravated by the growing substitution of inferior Indian cotton for American cotton from 1862, which led to soaring production costs. Since markets were quiet, price rises were often inadequate to compensate for spiralling production costs, and profit margins were eroded. For those marginal firms with few reserves and little opportunity to reduce costs, the future was bleak, particularly for many of the more isolated country mills. Being some distance from the commercial centres of Liverpool and Manchester, they already operated with inflated costs. These circumstances sounded their death knell.

Yarn and cloth prices in the cotton trade as a whole began to fall after the American Civil War – more a reaction to the inflated levels of the war years than to the freeing up of supplies or the opening up of markets. Had the downwards movement halted at a certain price, there would have been few problems. It continued, however, almost uninterrupted for the next three decades, part of a world decline in prices. This downward spiral inevitably reduced already stretched profit margins, discouraging investment and expansion – especially in coarse production, which suffered most. Output consequently grew much more slowly than in earlier decades.

The prosperity of the cotton industry had depended heavily upon exports for much of the nineteenth century, yet it was in foreign markets that the performance of the cotton industry was most disappointing. Yarn exports actually fell and cloth exports, which had been growing by 8.3% per annum between 1820 – 60, grew by a mere 1.4% per annum between 1870 – 1910. Britain’s cloth manufacturers were, for the first time, facing foreign competition. The impact on demand was exacerbated by the effect of the world decline in prices, which reduced the import capabilities of many of Britain’s customers. Competition came first from the United States and a number of European countries, where cotton industries which had been developed from the 1830’s grew rapidly. Initially the threat was minimal, and Lancashire retained its comparative advantage in cotton production, her merchants simply tapping new markets eg India, the Far East, South America and the Levant. Soon, however, governments began to introduce tariff protection to guard their infant industries against foreign competition to the detriment of Britain, who not only found her traditional markets closed, but also began to face competition in her new markets, eg India, Japan and China, which had all become an attractive outlet for Lancashire yarn and cloth from 1870.

The Greg experience
It would appear from various business records that the most testing time for the Greg mills was that during the slump resulting from the American Civil War 1861 – 65. The depression was very severe in its extent, with high levels of unemployment and short-time working in the cotton districts of Lancashire and the North West. Mill owners continued to provide food wherever possible, but expected some kind or errand in return as did the Local Relief Board allowance of 2/6 per week per able bodied male, or attend adult school in lieu. Females were given sewing classes.

The spectre of the American Civil War concerned Robert Hyde Greg, who wrote in a letter to Robert Philips Greg in May 1861:
“ I am very uneasy about the prospects of business. We are about entering on very dangerous and difficult times, I fear, and the American affairs will be much more protracted and serious than at one time I thought.”
However, he was not above speculating in raw cotton and, in 1862, sold 325 bales of American and Surinam cotton at a profit of £1,752. He was, however, nervous of the impact which uncertainty and soaring raw cotton prices would have on his mills and sales, and urged his sons to be cautious. In previous letter to RP Greg, dated January 1861, he wrote: “As to what to do in business it is not easy to say. It is good advice when you cannot see your way to stand still…goods and yarn never follow a rapid rise of cotton from a fair medium price. All wait, necessarily, except a few making large speculative purchases at old prices…Between war with Europe and the state of affairs in America no one can predict or limit the extent of possible mischief in the future.”

Statistics support RH Greg’s belief that raw cotton prices would rise more rapidly than cloth prices. Production costs rose, waste levels increased substantially and unit labour costs rose with short-time working. Nevertheless, production methods at the Mill were efficient enough for a respectable margin of profit to remain.

Greg’s policy at Quarry Bank Mill was, for the most part, cautious but positive. By a combination of advanced purchasing and contraction of output he was able to reduce his purchases of the high priced raw materials considerably. Thus, from 1859 he began increasing his stocks of raw cotton. To conserve his stocks as far as was possible he reduced output by short-time working, especially in 1862 – 63. Yarn output was more than halved between 1862 – 64 whilst cotton cloth production was a little over one third of its normal level.

At the same time, Greg began experimenting with cotton substitutes: flax, hemp and jute were attractive alternatives for coarse yarn producers, although they were unsatisfactory for the numerous fine yarn and cloth manufacturers. Others also took the same initiatives. In another letter to RP Greg in August 1861, he stated: “I have found some flax growing in the garden (and it) will answer my purpose for the little experiment I wanted…”

It seems gradually growing more possible of England getting involved in the American quarrel at the conclusion of the Civil War among themselves. The cotton question may become a long and important one and no-one can predict the issue. I have not yet got my samples to try fully our cotton machines but as American now costs with waste 9d and Surats 7d…there is room for doing something even now.”

Greg believed that the success of the jute substitute may have added beneficial effects beyond its initial one, namely as he reported to RP Greg in September 1862: “Many substitutes for cotton advertising patenting and I am going to the city tomorrow to see two sorts, one from jute promising but none can be of any immediate use, but I have no doubt will produce some change in our coarse manufactures and possibly to help to keep down the price by frightening the speculators and encouraging the trade by anticipated relief. I think cotton has gone 6d too high for the real state of things and will decline. It seems already to be 2d down but the stoppage of mills may keep the present price of goods and yarns and settle down at a relative point between goods and cotton leaving about 2d per lbs upon the working.”

The pursuit of a judicious sales policy meant that the firm avoided the worst effects of wartime uncertainty. In fact, at Quarry Bank, revenue only fell by 4.3% between 1861 – 65 according to the partnership account books.

By displaying great care and understanding of volatile markets (as had his father during the Revolutionary and Napoleonic Wars with France, 1789 – 1815), RH Greg, with the help of his two sons, Edward and Henry, steered the two mills at Styal and Reddish through the hazards of the early 1860’s. A combination of caution and impeccable judgement guided the firm through a phase which witnessed the failure of merchants and manufacturers alike, demonstrating his sound business acumen. By judicious stockpiling of yarn and goods – purchased on a non-commission basis at pre-1862 prices, as soon as there was a hint of war – he reaped healthy returns between 1862 – 65, when yarn and cloth prices rose. He concentrated his activity largely on the home market, so that although he had speculated, he avoided the potential hazards of overseas uncertainty.
The impact of the American Civil War upon profit margins saw the disappearance of many mills which were on the periphery of the industry: in 1864, John Greg sold Low Mill, Caton and Moor Lane Mill, Lancaster to Storey Brothers.

At Styal, there was no danger of jobs being lost during trade depressions. If the Mill was working short-time, operatives were not charged full rent (normally stopped directly out of their wages) on their cottages. During the American Civil War, for example, Quarry Bank – like many other mills – was forced to reduce hours of work: others shut down completely. The Mill Memoranda records that:

"The pressure seems to have been felt most severely in 1862; the average working time for the whole of that year being only about 3 days per week…Work was found for a considerable number of men on the estate. A large sum of money was lent out in loans to be repaid from the wages by small weekly stoppages on the return of better trade. Coals were sold at a nominal price, as well as certain articles of food, besides various other means being taken to mitigate the severity of circumstances."

Thomas Tongue, an ex-Mill employee, recalled, albeit slightly inaccurately:

"While the Mill was shut down they (Robert Hyde Greg and his sons) found the men cotton operatives outwork as labourers on the estate. The youths under 21 usually employed in the factory were sent to the local school, gratis to supplement what previous education they had had. The women operatives were rounded up in a sewing school, superintended by my aunt, where materials for women’s garments furnished at wholesale cost price were made up by women for themselves. The Greg family did nobly in furnishing employment for all their factory employees. In fact, anything to tide them over hard times without humiliating their pride…"