

## THE IOWA WAR LOAN OF 1861

Perhaps the most interesting feature of the financial history of Iowa during the Civil War is to be found in the events connected with the floating of the State war loan. At the outbreak of the war the finances of the State were in a very unfavorable condition: tax administration was inefficient, tax collections were poor, money was scarce, crops were poor, and the people were hard up. When the first call came for troops the seriousness of the situation was not comprehended, and the Governor postponed the calling of an extra session of the General Assembly as a matter of economy. Although Governor Kirkwood had no funds at his disposal and there was no organized militia in the State, the branches of the State Bank furnished the needed money, and more men volunteered than could be accepted. The Governor accepted the money and enrolled troops in greater numbers than had been required, relying upon the General Assembly to legalize his acts. The outlook for early peace did not improve, however, and the indications were that the country would be involved in a general civil war. Therefore, on April 25, 1861, a proclamation was issued calling for an extra session of the General Assembly to convene on May 15, 1861.<sup>1</sup>

It was within the province of the Federal government to wage and finance the war, but the State of Iowa was loyal and willing to do its part. The extraordinary expenses which the State was called upon to bear, temporarily, were incurred in connection with the preparation of troops for

<sup>1</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 470.

the Federal service. The troops had to be enrolled, clothed, armed, transported, subsisted, and paid. It was a big undertaking and required a great deal of money. The State assumed the entire expense of raising its own troops and of maintaining them until they were mustered into the service of the United States, and it proved to be a heavy strain on the financial organization of the State. The Governor and other public men labored faithfully and made great personal sacrifices, but many of the troops had to be mustered into Federal service without arms, without uniforms, and without having been paid for their time from the date of their acceptance until mustered into National service. It was a situation that caused chagrin to the Governor and the people of the State, but there seemed to be no immediate remedy.

#### PROVISION FOR WAR LOAN

When the General Assembly convened in extra session on May 15, 1861, it was asked among other things to authorize the making of a State loan and to provide for the support by the State of the families of volunteers. It was thought that State bonds would find a ready market; and the Governor declared that the people of Iowa, knowing that money was the sinews of war, would "consider alike criminal a mistaken parsimony which stops short of doing whatever is necessary for the honor and safety of the State, and a wild extravagance which would unnecessarily squander the public treasure."<sup>2</sup>

Although the special session of the legislature lasted only two weeks, much was accomplished. The appropriations made by counties and cities for the purpose of equipping and paying the expenses of volunteers or of maintaining

<sup>2</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 262.

their families were legalized.<sup>3</sup> A War and Defense Fund was created, and the Governor was authorized to purchase munitions of war and equipment for troops.<sup>4</sup> Provision was made whereby enlisted men were to be paid for the time between the date when they were ordered into quarters by the Governor and the date on which they were mustered into the service of the United States. The rate of compensation was the same as that to which soldiers of corresponding ranks were entitled in the United States Army.<sup>5</sup> An auditing commission was created to audit all accounts and disbursements arising under the call for volunteers or in connection with the organized militia of the State.<sup>6</sup> A militia law was also enacted. Counties were authorized to make appropriations for the relief and support of the families of volunteers. The maximum limit for the tax levy for State purposes was raised from two to two and one-half mills on a dollar.

The most important law enacted at this session, however, from the standpoint of the State finances, was the act "to provide for the issue and sale of State Bonds to procure a loan of money for the State of Iowa, to enable it to repel invasion and defend itself in war."<sup>7</sup> Both houses of the legislature assumed that a State loan was necessary, but there was a difference of opinion as to the amount to be authorized. A compromise between the extremes was finally reached, and the State was authorized to issue and sell State bonds to an amount not exceeding \$800,000. The bonds were to run twenty years and bear interest at the rate of seven per cent, payable semi-annually. Bonds were

<sup>3</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 3.

<sup>4</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 4.

<sup>5</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 11.

<sup>6</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 10.

<sup>7</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16.

to be issued in denominations of one hundred, five hundred, and one thousand dollars.

“No money arising from the sale of said Bonds, or any part thereof,” reads section three of the act, “shall be used or applied in any manner, or for any purposes, except the purposes of purchasing arms and munitions of war for the use of the State, for defraying and paying the expenses already incurred, or which may hereafter be incurred in calling out troops or organizing, uniforming, equipping, subsisting and paying the militia of the State when called out under the laws of this State or those of the United States, or such other purposes as are or may become necessary or incident to the repelling of an invasion or the defense of the State in war,”<sup>8</sup> except for the necessary expenses connected with the issue of the bonds. The same section provided that any irregularity in the issuing of the bonds should not impair their validity in the hands of bona fide holders.

Section four of the act contained the following pledge:

The State doth hereby irrevocably pledge its faith to provide adequate means to pay the interest on the said Bonds as the same may become due, and the principal at the expiration of twenty years, and for this purpose, all, or so much as is necessary of the revenue arising from the entire taxable property of the State shall be and the same is hereby set apart and pledged for these purposes. And it is hereby made the duty of the Census Board, or other proper officer or officers, (which duty may if necessary, be enforced by mandamus) to levy in each year a tax sufficient for these purposes, after payment of all expenses of collection.

No tax shall ever be levied by the State of Iowa on the stock hereby created, nor on the interest which may be payable thereon; and the value of this stock shall in no wise be impaired by the authority of this State, provided that nothing herein contained shall be so construed as to exempt from taxation any part of the capital stock of the Branches of the State Bank of Iowa.<sup>9</sup>

<sup>8</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16, Sec. 3.

<sup>9</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16, Sec. 4.

The Governor and four other commissioners named in the act were constituted a board to determine, from time to time, the amount of bonds that should be sold. The funds accruing from the sale of these bonds were to constitute a fund separate from the general revenue of the State and be known as the "War and Defense Fund". Only the warrants drawn in payment of war expenses were to be paid from this fund.

The Treasurer of State and Maturin L. Fisher were named in the act as agents of the State "with full power to negotiate said loan, to sell and transfer the said Bonds, and to do all things necessary in the premises."<sup>10</sup> These agents were required to give heavy bonds; and careful safeguards were placed upon all transactions connected with the disposition of the war bonds. The act declared that all sales of the bonds should be for specie, payable upon the delivery of the bonds to the purchasers. It also provided that the matured coupons on the bonds of one hundred dollars should be receivable in payment of all State taxes.

The act left it to the discretion of the commissioners whether or not any part of the bonds should be sold at private sale in this State at par, before they were offered in New York City. It specified the manner of offering the bonds for sale in New York, how they should be advertised, and at what time the bids were to be received and opened.

The law was carefully drawn and all the steps necessary for the successful negotiation of the loan were provided for. The State had been economical and conservative in all its financial transactions. Its debt was small, its population was increasing rapidly, its resources were great and unimpaired, and the interest on its bonds was greater than that on the bonds being negotiated by many of the other northern States. In his message to the General Assembly

<sup>10</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16, Sec. 6.

when it met to provide for the loan Governor Kirkwood said:

I feel assured that the State can readily raise the means necessary to place her in a position consistent alike with her honor and her safety. Her territory of great extent and unsurpassed fertility, inviting and constantly receiving a desirable emigration, her population of near three quarters of a million of intelligent, industrious, energetic and liberty-loving people, her rapid past and prospective growth, her present financial condition, having a debt of only about one quarter of a million dollars unite to make her bonds among the most desirable investments that our country affords.<sup>11</sup>

On the surface, conditions appeared to favor the successful negotiation of the loan. In 1858 the State had borrowed \$200,000 for current expenses on ten-year, seven per cent bonds and the whole sum was taken by the banking firm of Cook and Sargent of Iowa for \$200,005.<sup>12</sup> Moreover, during the first year of statehood Iowa had contracted a loan of \$55,000 at par,<sup>13</sup> for ten years at ten per cent. The interest on this debt was paid as it fell due and the principal was redeemed upon maturity.<sup>14</sup>

#### THE BONDS PLACED ON THE MARKET

The Board of Commissioners met at Des Moines on June 13, 1861, for the purpose of determining the amount of bonds to be offered for sale. After some deliberation they ordered the issue and sale of bonds to the amount of \$400,000, in denominations of one hundred, five hundred, and one thousand dollars. Both the interest and principal of all bonds of one hundred dollars, none of which were to be sold outside of the State, were made payable at the State

<sup>11</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 262.

<sup>12</sup> *Laws of Iowa*, 1858, Ch. 7; *Senate Journal*, 1858, p. 514.

<sup>13</sup> *Laws of Iowa*, 1846, Ch. 37; *House Journal* (Extra Session), 1848, p. 27.

<sup>14</sup> *Report of the State Auditor*, 1858.

treasury. The agents for the sale of bonds were ordered to sell bonds at private sale in Iowa, at their nominal par value, until July 8, 1861, at which time they were to repair to New York City for the purpose of receiving sealed proposals for the unsold portion of the bonds.<sup>15</sup>

That Governor Kirkwood favored the sale of a larger amount of the bonds is indicated by a letter written by him on the day the commissioners met. In a letter addressed to Asahel W. Hubbard, whom the Governor had appointed as an aid to assist in the protection of the northwestern frontier, he stated that the Board of Commissioners had just met and had fixed the amount of bonds to be issued at \$400,000. "This, I am sorry to say, is one hundred thousand dollars less than I deem absolutely necessary, and placed me in a very embarrassing situation." The burden of the letter was to the effect that no expense was to be incurred unless it was absolutely necessary for the protection of the lives and property of the people. Even in that event the expenses incurred could not be paid promptly.<sup>16</sup>

<sup>15</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 474-478.

The writer has been unable to find a record of the proceedings of the Board of Commissioners, although careful search was made in the State Archives and in the State Library.

<sup>16</sup> *Executive Journal*, 1858-1862, Vol. I, p. 449.

On June 21, 1861, Governor Kirkwood sent the following letter to the several members of the Board of Bond Commissioners:

"I have just received a dispatch from Washington City, saying that three additional regiments of Infantry, and one of Cavalry, have been accepted from this State.

"This will in my judgment render necessary a further sale of bonds.

"You are therefore required to meet me, at Des Moines, at 12 o'clock of Tuesday, the 2<sup>d</sup> day of July to attend a second session of the Board to determine the amount of bonds to be sold, under the law of the extra session, authorizing the sale of State Bonds."—*Executive Journal*, 1858-1862, Vol. I, p. 475.

It appears, however, that the other members of the board were not of the same opinion as the Governor and no authorization was given for the sale of additional bonds.

The loan agents advertised the sale in a statement giving the conditions of the sale and containing information concerning the bonds, which was published in many of the newspapers of the State. With the advertisement appeared the following proclamation by Governor Kirkwood, urging the people of the State to invest in the "State Stocks":

The State appeals to you in the present crisis. Three thousand of our young men have crowded to the field, as if to a banquet, cheerfully offering their lives to defend our country and its flag, and thousands more but await the opportunity to follow the glorious example. But to maintain those who have already gone, to equip those who may follow, money, "the means of war" must be had. In the great money marts of the country, the Eastern Cities, the bonds of the United States, and of the various loyal States, are seeking a market, and the supply there exceeds the demand. If all our bonds must be sold there, they will probably sell for less than par, thus lessening the means at the disposal of the State.

This appeal is therefore made to you, to step forward and render your aid to the State, and the country, in this their hour of peril. I am well aware that you are just recovering from the effects of the prostration of the prosperity of the State in 1857; that while rich in everything else we are poor in money; that it will require some sacrifice on our part to take these bonds. But will you not make that sacrifice? Your neighbors, your sons, your brothers, are freely periling their lives. Can not we who stay home make some sacrifice to aid them? Shall it be said that while so many are eager to undergo the toils, and perils, of a soldier's life, to defend our country's honor, none can be found to furnish the necessary means. The world cannot offer better securities than are the bonds of Iowa, and the pride and patriotism of her people, as well as their interest, require that these bonds shall be taken promptly, and at par. Within six months from the days that peace is declared, they will command a premium, and be eagerly sought by capitalists. Until that time, and in order to hasten that time, let those of you who can not show your patriotism otherwise, step forward, and by the performance of this duty, as important but less dangerous than that of the soldier, show that all the patriotism of Iowa is not in the camp with her soldiers.



Call meetings in your respective counties, place these matters fully and fairly before the people, and ask them if they will not, for the sake of the good cause and the credit of our young State, see to it that Iowa does her duty in money as well as in men.

There has been a manly strife among our Counties as to which should have the most men in the field. Let there now be a strife as earnest as to which, in proportion to its means, shall furnish the greater support in money.

There is not a man or woman in Iowa, who would not blush if we had to seek men outside of our State to fill the ranks of our regiments. Shall it be said that we had to go outside of our State for means to equip and pay them?<sup>17</sup>

In preparation for the sale of bonds in the East, the following advertisement was on June 14, 1861, sent by the Governor to the *New York Daily Times*, the *New York Tribune*, the *Daily New York Journal of Commerce*, the *Daily Boston Post*, the *Boston Daily Atlas*, and the *Daily Chicago Tribune*, with the request that it be printed in their regular issues until the 12th of July, 1861:<sup>18</sup>

#### SALE OF IOWA STATE STOCKS

PROPOSALS FOR A LOAN TO THE STATE OF IOWA OF A SUM NOT EXCEEDING \$400,000.— Sealed proposals will be received by the Under-signed agents, at the Metropolitan Bank in the City of New York until 12 O'clock M. of Saturday the 13<sup>th</sup> day of July next for loaning to the State of Iowa a sum not exceeding Four Hundred Thousand Dollars, being a part of a loan, not exceeding Eight Hundred Thousand Dollars, authorized by an act passed at the Extra session of the Eighth General Assembly entitled "AN ACT to provide for the issue and Sale of State Bonds, to procure a loan of money for the State of Iowa, to enable it to repel invasion and defend itself in War." Approved May 28, 1861.

The sum for which the sealed proposals, aforesaid will be received will fall short of \$400000 by the amount of that sum for

<sup>17</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 476-478.

<sup>18</sup> *Executive Journal*, 1858-1862, Vol. I, p. 451.

which Bonds may be sold in the State at private sale at their nominal par value previous to the 13, day of July 1861.

The Bonds for the sale of which the said sealed proposals will be received are in the sum of One Thousand, or Five Hundred Dollars each (at the option of the party making the proposal, to be expressed in said proposal) Signed by the Governor, Countersigned by the Auditor and Treasurer, and attested by the Great Seal of the State of Iowa, with interest coupons attached, signed by the Auditor of State, but not attested by the Great Seal of the State; providing for the reimbursement of the principal at the expiration of twenty years, from the date thereof, and for the payment of interest semi-annually on the first days of January and July of each year, at the rate of seven per cent per annum, both principal and interest on said Bonds being payable at the Metropolitan Bank in the City of New York, but the Governor may cause such payments to be made at any other place in the City of New York by giving thirty days public notice of such place in three newspapers in said City.

The State has irrevocably pledged its faith to provide adequate means to pay the interest on said Bonds as the same becomes due, and their principal at the expiration of twenty years, and for that purpose, all or so much as is necessary of the revenue arising from the entire taxable property of the State has been and is set apart and pledged for these purposes; and it is made the duty of the Census Board, or other proper officer or officers, (which duty it is provided by law, may if necessary be enforced by mandamus) to levy in each year, a tax sufficient for these purposes, after payment of all expenses of collection.

No tax it is provided by law shall ever be levied by the State of Iowa on the stock thereby created, nor on the interest which may be payable thereon, and that the value of said stock shall in no wise be impaired by the authority of the State but it is expressly provided that nothing in said law contained shall be so construed as to exempt from taxation any part of the Capital Stock of the Branches of the State Bank of Iowa.

The One Hundred Dollar Bonds authorized by said act will be sold if at all in the State.

No conditional proposal will be considered. The right is reserved to reject all or any such proposals if it shall be considered that such rejection will promote the best interests of the State.

The terms will be Specie payable in hand on delivery of the Bonds sold to the purchasers.

The proposals will be opened at 12 o'clock M. on the 13<sup>th</sup> day of July A. D. 1861, by the undersigned, at the place of reception in presence of such persons as may see proper to be present, and the loan awarded to the best and highest bidders if accepted, on the 15<sup>th</sup> day of July A. D. 1861.

Proposals must be addressed under seal to the undersigned care of Metropolitan Bank New York City, Marked "Proposals for Iowa State Loan".

A number of the certified copies of the act authorizing said Loan, and of the action of the Board of Commissioners there provided for with other documents pertaining thereto can be found at the Metropolitan Bank in the City of New York for inspection and examination.<sup>19</sup>

[signed] JOHN W. JONES (Treasurer of State) MATURIN FISHER	}	Loan Agents
--	---	-------------

#### CAMPAIGN TO DISCREDIT THE IOWA BONDS

Bids for the bonds to the amount of about \$50,000, at par, were received from residents of the State within a few days after they were offered for sale,<sup>20</sup> and the indications were that the loan would be successfully floated. Then a campaign to discredit the "Iowa State Stocks" and prevent their sale at a good price was opened by the financial editor of the daily *New York Herald*. The financial and commercial columns of that paper for Monday, June 24, 1861, contained the following article:

Parties who are in search of investments during the war will find what they want in the loans being negotiated by the general government and the great free States of the North. These can generally be recommended as safe, and they are pretty sure to

<sup>19</sup> Manuscript copy, Miscellaneous Documents from Secretary of State's Office in State Archives.

<sup>20</sup> *Iowa State Register*, July 3, 1861.

yield a handsome income. Yesterday at noon the bids for \$1,200,000 new Indiana six per cents were opened at the office of Messrs. Winslow, Lanier & Co., in Wall street. They amounted to \$1,408,000, and there did not appear to be any mere speculative bids among them. The State agents at once decided to reject bids for about a million of dollars, which were below 85. They will decide tomorrow whether they cannot afford to place the limit even higher. This is a security which can be recommended to capitalists. The successful bidders at 85 will probably have an opportunity before long of selling out at a profit if they desire to do so. The new loans of the State of New York, Pennsylvania (which has been taken at par), Maine (part of which has been taken at a premium), New Jersey, Connecticut, Ohio and Illinois are likewise very desirable investments.

We must, however, make an exception to the general rule in the case of the proposed loan of the State of Iowa. That State is now in the market for a war loan. In order to borrow, without violating the State constitution, the State authorities are obliged to act on the fiction that the State is in danger of invasion. If the people of the State of Iowa had established a character for honor and integrity, the public would perhaps feel that the vice which thus taints the new loan in its inception would never be pleaded in bar of its due payment. But we regret to say that the people of the State of Iowa have earned precisely the character which warrants the belief that they would after they got the money, resort to this and every other available trick to defraud the parties who had lent it. There is hardly a town or a populous county in Iowa which is not at this moment evading or attempting to evade its most solemn obligations. Such towns as Davenport, Burlington, Dubuque, Keokuk, Muscatine, and such counties as Henry, Des Moines, &c., which have been built up by the railroads intersecting the State, are repudiating in the most barefaced manner the bonds they gave to help construct the roads, generally on the shameful plea that the towns and counties had no legal right to give the bonds which were in effect the cause of their prosperity. These repudiating tricks receive the countenance of the Iowa courts. As was the case a couple of years ago in Wisconsin, and for many years in Mississippi, courts, judges, lawyers, politicians and people are all leagued together to cheat their creditors. It is with regret that we feel it to be our duty to

protest against the negotiation of any Northern State loan in the present crisis. But the dishonesty of the towns and counties in Iowa has been so uniform and so flagrant of late that it would be inexcusable to permit their war loan to pass without remarking that it offers a tempting opportunity for repudiation, and that the people of Iowa have evidently no scruples of honor or honesty on the subject of repudiating their debts.<sup>21</sup>

Again on June 29th, the same paper in its general discussion of the financial market stated that one of their correspondents had just returned from a collecting tour in the West. His reports were discouraging: western debtors were very indifferent about fulfilling their obligations, while individuals, cities, and towns alike deemed it no disgrace to evade the payment of their debts. The financial editor warned eastern merchants against extending long credit to westerners and concluded his article with the advice that "no opportunity should be lost of teaching these western people the cost of dishonesty. There should not be a single bid for the Iowa State war loan of \$400,000, until the repudiating towns of that State — Burlington, Davenport, Keokuk, Muscatine, Dubuque, &c.,— and the repudiating counties — Henry, Des Moines &c.— have repented of their roguery, and commenced honestly to pay their debts."<sup>22</sup>

The citizens and newspapers of Iowa resented this unwarranted attack upon the credit of the State, but the *New York Herald* continued its campaign. In its issue for July 2, 1861, it stated that a letter had been received from a citizen of Iowa in which it was asserted that the payment of debts by the repudiating towns and counties of the State had been opposed only by individual taxpayers who would apply for an injunction and receive it, and not by the whole

<sup>21</sup> *New York Herald*, June 24, 1861.

<sup>22</sup> *New York Herald*, June 29, 1861.

community. The *Herald* thereupon elaborated an argument in which it declared that the Iowa war loan would be a very unsafe investment, because on the face of it, it was unconstitutional. That being the case, the State could not prevent individual taxpayers from procuring an injunction against the payment of the coupons on the ground of the unconstitutionality of the loan. It characterized as preposterous the idea that the State was in danger of invasion or that there was an insurrection or that the State was obliged to defend itself; and declared that no court could uphold the constitutionality of the law authorizing the loan. The law would be declared unconstitutional and the loan repudiated. Such action, the editor declared, could not occur in some States, because public opinion would not tolerate such a swindle; but in Iowa, where both cities and counties had repudiated their debts in the most barefaced way, no reliance was to be placed upon public opinion or public faith.<sup>23</sup>

A public meeting was held at Davenport on July 1st to consider the articles published in the *New York Herald* on the subject of the Iowa war loan; and a committee consisting of Messrs. Dillon, Dow, and Hill was appointed to prepare an answer. The committee prepared a brief argument showing: first, that the bond issue was permitted by the Constitution [Par. 4, Art. VII] and was therefore valid; and second, that Chief Justice Caton of the Illinois Supreme Court had declared valid the Illinois law authorizing a war loan, and that the Iowa constitutional provisions were the same as those of Illinois.<sup>24</sup> The report of the committee was published in full in the *New York Herald*, with the following comments:

One does not need to be a lawyer to perceive that the debt which the government of Iowa now proposes to contract is neither to "re-

<sup>23</sup> *New York Herald*, July 2, 1861.

<sup>24</sup> *New York Herald*, July 9, 1861; *Davenport Gazette*, July 2, 1861.

pel invasion" nor to "suppress insurrection" nor to "defend the State in War". It is for a wholly different purpose, never contemplated by the framers of the State constitution, viz.—to enable the State to fulfill its constitutional obligations to the federal government. No court of justice, whether in Iowa or out of it, could hold that the State is or has been in danger of "invasion" is prey to "insurrection", or in need of "defense in war". Nor does the extra judicial opinion of Chief Justice Caton, of Illinois, mend the matter. In the first place, the Chief Justice does not say that the Illinois bonds are valid. He merely says that bonds issued for the purposes specified in the State constitution—which these Iowa bonds are not—would be valid. But why waste time with Judges' opinions? There never has been any lack of judicial and extra-judicial opinions in favor of the validity of Western bonds before their negotiation. Such opinions only begin to grow scarce after the bonds have been sold and the money obtained. In all the Western States which have repudiated the unanimity of the courts in favor of the rights of creditors, before the people of the State had borrowed all the money they needed was as striking as their unanimity in opposition to the collection of debts afterwards. In some instances the same judges gave judgment both ways. In others, when the money had been borrowed, and no more could be had, the conscientious constituency threw the "creditors' judge" overboard, and elected a "debtors' judge" in his stead. It has been so in Iowa, and it is now time that the people of that State should feel the penalty of their conduct. The war bonds of the State of Iowa, which are to be awarded on Saturday next, are issued in direct violation of the constitution of that State, and will be pronounced unconstitutional, null and void by the courts on the application of any single tax payer. If the people of Iowa had shown, in their dealings with their creditors, a high sense of honor or honesty, that would constitute a guarantee against the repudiation of these bonds. What sense of honor or honesty prevails among the people of Iowa may be inferred from the fact that, with one or two exceptions, every city and every county in Iowa that ever borrowed a dollar has either absolutely repudiated or is trying to repudiate the debt on some shameful technical plea, and that in every instance the courts favor the repudiators.<sup>25</sup>

<sup>25</sup> *New York Herald*, July 10, 1861.

On the following day, July 11, 1861, two days before the bids for the Iowa war bonds were to be awarded, the *New York Herald* published the following letter without comment:<sup>26</sup>

TO THE EDITORS OF THE HERALD  
IOWA BONDS

New York, July 10, 1861.

Certain good citizens of Iowa are displeased with the course of the HERALD on the subject of Iowa bonds. They take some pains to explain and quote a judge from Illinois. In 1853 the Supreme Court of Iowa held that a county had the constitutional right to aid in building a railroad, and that section 114 of the Code applied to or included railroads. In 1855 the General Assembly provided (Sec. 2) that whenever a railroad should have received bonds of any city or county upon stock subscription, the rate of interest should be, &c. The same Legislature passed a law restricting judges and other officers as to the issue of such bonds. Thus the Legislature confirmed the views of the Supreme Court as to section 114, applying to railroads as well as to other roads. In 1857 the Supreme Court held that the question of legality of county subscriptions for railroads had been denied, and the decision would be adhered to. The *bona fide* holder must be protected. In 1858 the Supreme Court adhered to the same decision, and said that subject would not again be discussed. After a time the creation of indebtedness became so alarming, and the tendency to repudiate so decided, that in the new constitution a clause was inserted to legalize the amounts issued, and at the same time to restrict further issues. In 1859 the Supreme Court of Iowa held that section 114 was not to apply to railroads, and that when injunctions against the issue of bonds took place before the bonds reached the hands of the *bona fide* holders, the issue could be enjoined. The court—same term—held that where bonds had passed into the hands of *bona fide* holders they were valid and binding. Thus, till 1859, the Legislature and courts of Iowa upheld the bonds so long as it suited. How now? In 1861 the State courts and the federal courts in Iowa reversed all former decisions. The United States Judge decides, in

<sup>26</sup> *New York Herald*, July 11, 1861.



direct opposition to the United States Supreme Court, decisions in suits of Bondholders v Knox & Co., Indiana and Pittsburg City. The late decisions are a judicial repudiation of contracts in the face of prior judicial confirmation of same and similar contracts by the highest tribunal in the country. Now I ask if — when a Supreme Court has for years confirmed issues of bonds, and when the United States Supreme Court rules that such issues in *bona fide* holders' hands are good, and that the debtor cannot plead his own fault and neglect in extenuation of the debt — under these circumstances a future court can upset all that has been done since 1855, where is the security in any bond in Iowa? We simply see that an elective judiciary affords no security, and we cannot see that an elective State government can or will afford better security. If the atmosphere of Iowa is so poisoned that public opinion forces them to reverse repeated decisions of their highest tribunals, what guarantee have we that public opinion will not force the State authorities, sooner or later, to repudiate the proposed war debt? When judges and courts held office at the good will of the people, it becomes high time for the creditor, or proposed creditor, to inquire closely into the antecedents of the proposed debtor. What are the antecedents of the people of Iowa? Let the history of Dubuque, Lee, Muscatine, Burlington, &c., answer.

[Signed] ONE OF THE BITTEN ONES.

#### PREVIOUS DECISIONS OF THE COURTS

On the surface these charges against the counties and cities of Iowa were not without some justification. In many instances counties of the State had voted to exchange their bonds for stock in railroad companies. There had been several cases in the courts of the State either to enforce the payment of the bonds or to enjoin their issue, and there had been a difference of opinion in the court decisions. In the case of *Dubuque Co. vs. The Dubuque and Pacific Railroad Company*, the Supreme Court of Iowa held that section one hundred and fourteen of the *Code of 1851* was sufficient legislative authority to make the action of counties binding, but it was admitted that counties and municipalities had no

right to issue their bonds for railroad stock without legislative permission.<sup>27</sup>

In 1859, in the case of *Stokes vs. The County of Scott*, the Supreme Court decided that the counties of the State had no power to borrow money or subscribe for stock to aid in the construction of railroads; and held that the issuing of bonds by counties, or the transfer of such bonds by the corporations to whom they were issued could be restrained by injunction.<sup>28</sup> The same court later held that the General Assembly had no power to authorize counties, in their corporate capacity, to become stockholders in railroads, and that section one hundred and fourteen of the *Code of 1851* was not sufficient authority to empower counties and cities to issue their bonds in the aid of railroad construction.<sup>29</sup> These later decisions were not reversed.

The courts had, however, been very careful in rendering these decisions, to protect the interests of innocent purchasers, and the counties and cities were held responsible for their bonds in case they had been delivered into the hands of *bona fide* holders. No repudiation of real debts was possible and none took place. The railroad companies were, of course, losers because these decisions prevented cities and counties from over-burdening themselves in favor of the railroads.

#### DEFENSE OF THE CREDIT OF THE STATE

The newspapers of Iowa and officials and individual citizens of the State now did what they could to counteract the effect of the attack upon the credit of the State which threatened to make the bond issue a failure. The people of

<sup>27</sup> 4 Greene 1 (Iowa).

<sup>28</sup> 10 Iowa 166.

<sup>29</sup> State of Iowa, *ex rel.* The Burlington and Missouri River Railroad Company *v.* The County of Wapello, 13 Iowa 388.

Iowa were urged to purchase the bonds in order to keep the interest money in the State. Newspapers declared the bonds to be a safe investment and urged the desirability of investments not liable to taxations.<sup>30</sup> On July 2, 1861, Governor Kirkwood wrote to the officials of each of the branches of the State Bank of Iowa, expressing the hope that the branches would take at par the amount of State bonds needed by them to make up their safety funds, instead of bidding for the bonds in New York. It was known at home and abroad that the branches desired the State bonds for their safety funds. The Governor pointed out that the failure of the branches to take the bonds at par before they were offered for sale in New York would produce two bad results: first, it would discourage the people of Iowa from buying the bonds at par because they looked to the bankers as leaders and would follow their example; and second, for the branches to refuse to take the bonds at par would deter New York capitalists from taking them at par, because it would not be reasonable to expect outsiders to bid par for bonds which the leading men of the State issuing them indicated by their acts were not worth par. The Governor declared that the State had the right to expect much from the State Bank, that the bonds were intrinsically worth par, and pleaded that the matter be carefully considered and that the several branches make up their safety funds at home at par, thus aiding the credit of the State in a time of great need.<sup>31</sup>

On July 2, 1861, Mr. Hiram Price, an Iowa banker and financier, wrote to one of the State Loan Agents, who was at that time in New York, stating that in his opinion a combination existed to prevent the sale of Iowa bonds, except

<sup>30</sup> *The Dubuque Herald* (weekly), June 26, 1861, July 3, 1861; *Iowa State Register* (Des Moines), July 3, 1861.

<sup>31</sup> *Executive Journal*, 1858-1862, Vol. I, pp. 464, 465.

at a ruinous rate, and suggested that such a scheme might be "headed off" by arranging with someone to purchase a few bonds at an agreed price — eighty-five cents on the dollar for instance. If necessary the Agent could, of course, be prepared to take the bonds off the purchasers' hands at the rate paid. This plan, Mr. Price thought, would fix a New York price at a reasonable figure and enable the State Agent to sell some bonds at home. He emphasized the pressing necessity of selling bonds at once and expressed the conviction that sales could not be made in Iowa at a higher figure than that fixed in New York.<sup>32</sup> Justice George G. Wright of the Iowa Supreme Court wrote to State Treasurer and State Agent Jones on July 5th to the effect that the *New York Herald's* attack on the constitutionality of the Iowa war bonds was without foundation. He declared the law authorizing the bonds to be constitutional, and maintained that the counties and cities of the State had never repudiated any of their debts.<sup>33</sup> A few days later Chief Justice Ralph P. Lowe wrote to the State Treasurer the following letter:

Keokuk, Iowa, July 8, 1861

Hon. J. W. Jones, *State Treasurer* —

The constitutional validity of the State bonds upon which the war loan is being made having been questioned in some quarters, his Excellency Gov. Kirkwood has requested an opinion upon the subject from the supreme tribunal of the State. The constitution limits the State indebtedness to \$250,000, with an exception in the following words:

*"In addition to the above limited power to contract debts, the State may contract debts to repel invasion, suppress insurrection, or defend the State in war."*

We are not at liberty to entertain a doubt that a state or condi-

<sup>32</sup> Miscellaneous Correspondence from the State Treasurer's Office in the State Archives, Des Moines.

<sup>33</sup> Miscellaneous Correspondence from the State Treasurer's Office in the State Archives, Des Moines.

tion of things exists in this country, which fully brings the power of the State, to contract a debt beyond this constitutional limit, within the true meaning and sense of the above exception. The doubt, if any is honestly cherished, must have had its origin in the idea, that the invasion or rebellion referred to must be local and confined to our own borders and not extra territorial.—This restricted interpretation of the constitution overlooks the true theory of our political system, the connection and dependencies subsisting between the State and Federal Governments, that the former is a member incorporate of the latter, deriving its limited sovereignty — its legal status — its rights and powers — its independence and liberty from the *Union*, the overthrow of which by a rebellion, could not occur without in an important sense affecting the political status of the State.

Whether, however, this be true or not, one thing is clear, that it is the exclusive province of the law-making power to judge of the necessity, and to determine whether a state of things exists, making it important for the safety of the State, that a loan of money should be effected, and inasmuch as the act authorizing the issue and sale of State Bonds to procure such loan, declares that it is to enable the State to repel invasion and defend itself in war, that that absolutely concludes the question, and that no court in this country, laying the slightest claim to respectability would undertake to determine that the facts were otherwise than as found by the General Assembly. I need not say, perhaps, that my associates, Judges Wright and Baldwin, concur substantially in the above opinion.

[Signed] R. P. LOWE, Chief Justice<sup>34</sup>

These opinions were published in the leading newspapers of the State, usually with editorials expressing approval.

#### THE FAILURE OF THE BOND SALE

In accordance with previous arrangements the State Loan Agents met in New York City on July 13, 1861, for the purpose of examining the proposals for the State war bonds. The market was flooded with the securities of the national government and with those of the other northern

<sup>34</sup> *Iowa State Register* (Des Moines), July 17, 1861.

States. In fact, it would not have been surprising had the proposals for the Iowa loan been made at less than par had there been no opposition to the sale from outside sources. Iowa securities had not been offered in the New York market: they were new and unknown. In addition to their newness the pre-sale campaign conducted by one of the leading New York newspapers against the proposed loan was to some extent successful in its effort to discredit the good faith of the State. Consequently, when the State Loan Agents opened the proposals for the Iowa war loan on July 13, 1861, they found that the bonds could be sold in New York only at a discount. The bids were as follows:<sup>35</sup>

<sup>35</sup> The report of the Loan Agents on the bids received in New York City, dated from the Metropolitan Bank, New York, July 13, 1861, reads as follows:

“The undersigned Agents for the State of Iowa for the purpose of negotiating a Loan of 400,000\$ in accordance with the provisions of An Act of the General Assembly of Said State approved May 28th 1861 met this day at 12 oclock M and proceeded to open the following proposals to wit

\$500	George Logan	at 85 cents
10,000	S. R. Comstock	80 cents
100,000	White Morris & Co.	85½ cents
50,000	White Morris & Co.	88 cents
50,000	R. Vallant	81 cents
30,000	R. Vallant	83½ cents
20,000	R. Vallant	86½ cents
15,000	R. Vallant	87 37/100 cents
5,000	B. F. Manierre	82 cents
15,000	B. F. Manierre	85½ cents
15,000	B. F. Manierre	87 cents
15,000	Frank W. Ballard	at 86 cents
10,000	Frank W. Ballard	86½ cents
57,000	Samuel Merrill	87½ cents
5,000	Cephas Brainard	81 cents
5,000	Cephas Brainard	83½ cents
5,000	Cephas Brainard	85 cents
3,000	Cephas Brainard	87½ cents
3,000	E. Clark for Iowa City Branch	92 cents
	Total	\$403,500

“Now on this 15th day of July 1861 The Agents met at the Metropolitan Bank at 12 oclock M. and determined to reject all bids under 90 cents of the nominal par value of said ‘Iowa State Stocks.’ It is therefore agreed to accept the bid of E. Clark Esq. (for the Iowa City Branch of the State Bank

\$10,000 at 80 cents on the dollar; 55,000 at 81; 5000 at 82; 35,000 at 83½; 5500 at 85; 115,000 at 85½; 15,000 at 86; 30,000 at 86½; 5000 at 87; 15,000 at 87 37-100; 60,000 at 87½; 50,000 at 88; and 3000 at 92.

These proposals compared very favorably with those received by the other northern States, and taking into consideration the great need of the State for money at that time, it appears that the State would have done well to sell the bonds at the best obtainable price. The commissioners appointed to supervise the Loan Agents had met on July 3, 1861, however, and directed the Agents not to accept any proposals at less than ninety cents on the dollar of the par value of the bonds.<sup>36</sup> Therefore, when the Agents met on July 15, 1861, to accept or reject the proposals for the bonds the only proposal accepted was the bid of Mr. Ezekiel Clark

of Iowa) for 3000\$ of said Stocks in sums of 1000\$ each, at 92 cents and that all other bids for said Stocks be *not* accepted.—Legislative Acts for 1861 from the Governor's office in the State Archives, Des Moines.

The writer has been unable to find a copy of the complete report of the State Loan Agents. That they did make a formal report is known, because Governor Kirkwood transmitted a copy of the report to the General Assembly on January 22, 1862.—Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 427. The report was received by the House and the usual number of copies was ordered printed.—*House Journal*, 1862, p. 110. A plan for a formal report was found in the State Archives, but dates and totals were missing.

<sup>36</sup> The instructions to the State Loan Agents were as follows:

“Des Moines, Iowa, July 3, 1861

Gentlemen.

In pursuance of the 11th Section of the Act of the General Assembly of the State of Iowa, Approved May 28, 1861 Authorizing the issuing of State Bonds to the Amount of Eight Hundred Thousand Dollars, for the purpose of Creating a 'War and Defense Fund.' You are hereby directed to sell, in the manner pointed out in said act, the Bonds which by the order of this Board dated June 13th 1861 were directed to be issued and placed in your hands for that purpose, provided, that portion of said Bonds which are directed to be sold at public sale in the City of New York can be disposed of as therein contemplated at a price not less than Ninety (90) cents on the dollar of the par value thereof, but not otherwise.—Legislative Acts of 1861 from the Governor's office in the State Archives, Des Moines.

for three one thousand dollar bonds at ninety-two cents on the dollar. All other proposals were rejected. Mr. Clark's bid was made for the Iowa City branch of the State Bank of Iowa.

Since it was beyond the power of the State Agents to sell the bonds for what they would bring in New York City, they returned to Iowa and a campaign was inaugurated for the sale of bonds to the people of this State. On July 19th Governor Kirkwood issued the following stirring appeal to the people of Iowa:

When the President called upon the loyal people of the United States for help to save the government from rebels and traitors, no State responded more promptly than Iowa. Thousands of her sons are now in the field ready and eager to peril their lives in defense of their country. The base treachery of some of the sworn servants of the Government during the administration of Mr. Buchanan had so disorganized our Government that when the call was made for troops, the Administration was wholly unable to clothe and equip them in proper time, and it became necessary for the States furnishing troops to furnish also clothing and equipments. Of course these States were compelled to, and did incur expenses larger or smaller, in proportion to the troops called from and clothing and equipments furnished by each.

To meet the expenses thus incurred, and other expenses that might be incurred, the General Assembly, in extra session, provided by law for the sale of the bonds of the State. In accordance with that law, the bonds were advertised for sale in the city of New York, and, as I have reason to believe, certain parties in this State, combined together to depreciate the value of the bonds, for the purpose either of wholly preventing their sale or of compelling their sale at ruinous rates. The means by which they sought to effect this end was, to declare that the bonds were unconstitutionally issued, that the General Assembly of the State had been guilty of a gross fraud in authorizing their issue, and that the people of Iowa were so base and dishonest that they would hereafter repudiate the bonds that might be sold.

Whether the motive of these parties in publishing these vile



calumnies, and thereby seeking to discredit the bonds was to render the State unable to do her part in the struggle now going on for the preservation of the Union, and to that extent strengthen the hands of treason and rebellion, or to gratify a feeling of revenge for some real or supposed wrong inflicted by some portion of our people, or to enable the parties to buy up the bonds thus discredited by their own efforts, at ruinously low rates — is now not a question of practical importance. It is sufficient for us now to know that they have been successful, and that our bonds remain unsold.

This position of affairs is to me very annoying and perplexing. Relying upon the anticipated sales of these bonds, and carrying out your well known and clearly expressed wishes, I have incurred large expenses in enrolling, subsisting and clothing the brave men who are now in the field for the defense of the flag we all love so well. These expenses are wholly unpaid. In some instances the money is due directly to the persons who have generously advanced the money to meet pressing necessities. What renders this situation of affairs particularly unpleasant to myself individually, is the fact that it has been and is made a matter of serious complaint by many of you, that I have been too backward in expending the money of the State, while at the same time I was and still am unable to meet the pressing demands upon me for expenses already incurred.

Much complaint was made that our first three regiments were not clothed as soon as they should have been. They were clothed as soon as it could be done; and to-day, that clothing, worn by your sons and brothers, is unpaid for, while the person that furnished it is suffering for his pay. Complaint was also made that the money due by the State to our soldiers was not paid to them promptly. Before it could be paid to them it had to be borrowed. It was borrowed on the responsibility of Individuals; and, to-day these individuals are liable for, or have paid, the moneys thus paid to your soldiers. The expenses incurred in the various counties, for subsisting companies and transporting them to the place of rendezvous, have been paid by borrowing, and are due to the lenders, or are yet due to the persons who furnished the subsistence and transportation. At Keokuk certain patriotic individuals purchased a large amount of powder for the use of the State, giving their obligations therefor. I have not had the means to pay the debt thus incurred, and these parties have either had to pay it or go to protest. In short, the

entire amount of the expenses thus incurred, to enable the State of Iowa to do her share in the momentous struggle now going on for the preservation of the Union, is unpaid, and the parties to whom it is due are pressing for payment. Further expenses will necessarily be incurred. I am instructed to buy arms for the protection of our Southern and Western frontiers, but am unable to do so for want of means. I anticipate further requisitions of this State for troops, which must be met.

And now, men of Iowa, under these circumstances, I appeal to you for aid and assistance. Your bonds cannot be sold abroad. They must either be sold at home, or the State must suffer the disgrace, not only of failing to do her duty for the future, but of failing to pay the expenses already incurred. May I not confidently trust that every citizen of Iowa will feel that his own good name, as well as the good name of the State, is involved in this matter, and that I will have his hearty and effectual aid? May I not especially trust that those of you, who, perhaps without knowing the difficulties by which I have been surrounded, have thought my action has not been sufficiently prompt and energetic, will, now that these difficulties are understood, see to it that they shall be removed, and means shall be furnished for action as prompt and energetic as you may desire?

Let me earnestly entreat every man who has at heart the cause of the country and the good name of the State, to take hold of this matter and give me his active assistance. Let meetings of our people be called, and the wants of the State explained to them, and if I do not wholly mistake the people of Iowa, they will take care that the good name of our State shall not suffer, and will show that those of us who remain at home can do our duty to our country as well as those who follow our flag to the field of battle.<sup>37</sup>

This appeal was copied very widely by the newspapers of the State and editorials were written in the same tone.<sup>38</sup>

<sup>37</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 478-482.

<sup>38</sup> "The efforts of Secessionists in this State and stock-jobbing Shylocks in other States to reduce the market value of the War Bonds of Iowa to the lowest possible figure, have had the effect to prevent any negotiation of them except some \$3,000 which were sold in New York at 92 c, and a few thousand dollars worth in this State at par. The Agents have done their duty faithfully, but

It was a crisis in the history of the State and the people were implored to support the State by buying bonds. The *Dubuque Herald*, one of the most violently anti-administration papers of the State but one of the most ably edited, published the following article under the caption "*How Much Is Iowa Patriotism Worth?*":

It is a shame for Iowa to go to a distant market to negotiate the war loan of \$800,000. If the people of Iowa be really in earnest rather than submit to unwarranted sacrifices in the sale of these obligations, they return to the People of Iowa, and an appeal will be found from the Governor on the first page of this week's *Register*, calling on all classes within the State to come forward and aid as far as possible in taking the first installment of the loan. Almost every property-holder can do something, and in this way aid needy creditors of the War Fund and preserve the obligations of the State from useless depreciation."—*Iowa State Register* (Des Moines), July 31, 1861.

"The Money Department of the New York *Herald* lately contained an article intended to embarrass the negotiation of the State bonds of this State authorized during the late Extra Session of the General Assembly. The pretext for it is the allegation that certain Cities and Counties in this State have attempted to escape the payment of indebtedness assumed for Railroad purposes, and that the Iowa Courts have been in collusion with the repudiators. The *Herald* article also says:

"In order to borrow, without violating the State constitution, the State authorities are obliged to act on the fiction that the State is in danger of invasion."

"Whether this attack of a venal New York journal upon the credit and good-faith of the People of Iowa is stimulated by holders of Corporation Railroad bonds or by Traitors in disguise who simply aim to embarrass the authorities of this State in rendering aid to the General Government in the effort to suppress Rebellion, is of very little consequence. The attack is unwarranted, wanton . . . .

"At the time the Legislature authorized this Loan, the danger of the invasion of the State, and the necessity for the suppression of rebellion, were no 'fiction'. They were stern facts. The Constitutional provision on this subject is precisely like the clause in the Illinois Constitution, under which the Loan bill in this State was authorized, and the *Herald* admits the validity of the Illinois War bonds. If the bonds of one State are worthless, so are those of the other.

"If the *Herald* knows anything of Iowa affairs, it knows that the bonds authorized during the late Session of the General Assembly, are issued in good faith and are as well secured as those of any State, East or West. That the authorities of a few River Cities and Counties have resisted the payment of

for the prosecution of the war, they can have no more tangible means of showing it practically than by subscribing for the war loan. If the patriotism of this State is not equal to shouldering \$800,000 of debt, how in the world will it be able to pay its portion of the 400,000,000 required by the President to prosecute the war, without knowing for certain that this amount will suffice. The people of Iowa ought to do one of two things; either insist upon the restoration of peace, or if they prefer and determine to have the war go on, strengthen the hands of the Government by contributing their share of the means absolutely needed it to prosecute to a successful issue. Curb stone patriotism, store box declamation, nor flag raising oratory will clothe, feed, transport and arm troops. It needs money to do this, and without money it cannot be done.

It is an outrage for the patriots of Iowa to send six thousand men into the field, and then go abroad into a foreign money market to raise funds to clothe, arm and feed them. Come ye war patriots, this will not do. Hand over the *spondulicks* or keep your patriotism pent up. Bogus patriotism is being detected now. Nothing will test it so effectually as to ask it to subscribe for the war loan.

Railroad bonds, have carried the matter to the Courts, and that the Courts in several instances have decided that the issues of that kind of evidence of indebtedness, was unauthorized under the Constitution and Laws of Iowa, is true. But that the People of the State, or even a majority of the People in the localities where the bonds were issued, approved of this attempted repudiation, there is no evidence. When the whole country was crazy with speculative ambition, these municipalities incurred this class of liabilities. When the re-action came, they could not pay even the interest on the bonds. For temporary relief they appealed to litigation. In this we think their action, ill-judged, wrong. But that the people of the whole State, should on this account be adjudged a community of repudiationists, is neither logical nor honorable. Iowa, previous to this War Loan, had a bonded debt of only \$200,000. This is not due until seven years hence. With the present revenue realized, this debt could be paid to-day, current liabilities also be met, and a balance left in the Treasury. No State, according to its population is in a better financial condition, and no State will be more ready to meet its promises to pay than Iowa.

“The Commissioners have authorized a present issue of only \$400,000 of bonds. Bids to the amount of \$50,000 of this amount at par have already been made by residents of the State. If the Bears of Wall Street taking counsel of the organ of the corruptionists, the *New York Herald*, conclude that they do not want any of our War Bonds at fair rates, the loan can all be taken at home, and at far better rates than anywhere else. The New York money lenders had better, however, think twice before throwing Iowa bonds out of market!”—*Iowa State Register* (Des Moines), July 3, 1861.

We move that every curb stone patriot, every store box declaimer, every war orator be handed the war loan subscription for this State. There are enough of them to take the whole loan without inconvenience. Will they do it? If they will we shall give them the credit of being in earnest, when they declaim in favor of, and putting down the rebellion.<sup>39</sup>

There was, however, a lack of unanimity of opinion in the State in regard to the constitutionality of the bond issue which tended to increase the embarrassment of the State administration and to further decrease the sale of bonds. At various Democratic county conventions held during the summer of 1861 resolutions were adopted declaring the law authorizing the State loan to be unconstitutional.<sup>40</sup> And the Democratic State Convention which met in Des Moines on July 24, 1861, adopted the following resolution: "That the indebtedness of the State now exceeds the limits fixed by the Constitution, and that the appropriation of \$800,000 made at the special session of the General Assembly, in the judgment of this Convention is unauthorized by the Constitution."<sup>41</sup> This resolution brought forth another article from the financial editor of the *New York Herald* in which he said:

We had occasion to refer to the unconstitutionality of the proposed Iowa War loan, which was fruitlessly offered for sale in this market about three weeks since. We were sharply taken to task for what we said by most of the Iowa papers, and were flatly contradicted by a report adopted at a meeting of citizens of Davenport, held to denounce our article. It seems, however, that there are people in Iowa who do not deem the views we held unsound. . . .

It would thus appear that our capitalists did not make so great a mistake, after all, in declining to subscribe to the Iowa loan.<sup>42</sup>

<sup>39</sup> *The Dubuque Herald* (weekly), July 17, 1861.

<sup>40</sup> *Iowa State Register* (Des Moines), July 17, 1861.

<sup>41</sup> *Iowa State Register* (Des Moines), July 31, 1861.

<sup>42</sup> *New York Herald*, August 3, 1861.

In spite of the campaign and the appeals made to the people of Iowa to buy the State bonds, few were sold and the State was in desperate financial straits. The money absolutely necessary for the work of preparing troops for Federal service could not be obtained. The receipts for the sale of bonds from the time they were offered for sale in July, 1861, until the close of the fiscal period on November 4, 1861, were as follows: July 31st, \$16,500; August 2nd, \$20,332; August 24th, \$19,504; September 2nd, \$3,496; October 3rd, \$12,144; October 23rd, \$6,992; November 2nd, \$2,300.

Thus \$86,000 worth of bonds were sold for \$81,268, or at an average rate of 94.5 cents on the dollar. On the other hand, there had been issued previous to November 4, 1861, War and Defense Fund warrants in the amount of \$233,568.43.<sup>43</sup>

#### IOWA IN FINANCIAL STRAITS

The creditors of the State were insisting that they should be paid. Several men had borrowed money on their individual notes with which to purchase supplies for the State, and because some of these men could not make payment when due their notes went to protest. Governor Kirkwood personally borrowed more money for State use than he was worth, and his notes were protested. Samuel Merrill, Hiram Price, Ezekiel Clark, Samuel F. Miller, and others also borrowed money before the bonds were placed on sale, especially for the purpose of paying the troops and arming them, relying on the sale of bonds to provide funds with which to refund the amounts advanced.<sup>44</sup> These men advanced cash for military purposes and were forced in return

<sup>43</sup> *Report of the State Auditor, 1861*, pp. 14, 15.

<sup>44</sup> Kirkwood's *Military Letter Book*, No. 1, pp. 89, 271, 272; Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 443-447.

to take warrants which were discounted, and they thereby lost money. Arms sent to Burlington by the United States were held by the express company for nine hundred dollars in charges. Blankets sent to Davenport were held for five hundred dollars in freight charges, but the State had no money and could not secure possession of them. In these instances Hiram Price raised the money on his personal credit.<sup>45</sup>

When the bonds failed to sell Governor Kirkwood was desperate. He did all in his power during the early summer to increase the sale of bonds, but they would not bring in the necessary money. Early in September, therefore, Kirkwood went to Washington, and in some manner succeeded in securing from the Federal government in United States treasury notes (actual money) the sum of \$80,000 as an advance refund to the State for the expenditures made by it for the Federal government.<sup>46</sup> This sum was paid into the State treasury on October 12, 1861,<sup>47</sup> and helped very materially in tiding the credit of the State over the most difficult financial crisis of the war period and of its whole history.

Throughout the year 1861, however, the State administration was handicapped by the lack of funds. A large proportion of the bonds sold were exchanged for warrants on the War and Defense Fund, and so did not bring actual cash into the treasury. The effort was constantly being made to exchange State bonds for necessary supplies and equipment. The letters of the Governor's military secretary to State creditors and to firms having equipment for sale were written in the same tone throughout the latter part of the

<sup>45</sup> *Annals of Iowa* (Third Series), Vol. I, pp. 594, 595.

<sup>46</sup> Kirkwood's *Military Letter Book*, No. 1, p. 341; Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 443.

<sup>47</sup> *Report of the State Treasurer*, 1861, p. 8.

year 1861. In September, 1861, he wrote to Captain M. V. McKinney of Des Moines as follows: "You ask for arms. The State has none and can get none for want of means. Our bonds do not sell at home or abroad and until they do no arms can be purchased."<sup>48</sup> In answer to another letter demanding arms the secretary suggested that the people at home who could afford to buy bonds and did not would suffer only a just retribution should they be left unprotected.<sup>49</sup> To firms soliciting orders for arms, tents, and other military equipment for the State the secretary frankly stated that the State needed the equipment, but had no funds. He reiterated the statement that the State bonds were a good investment and that purchases of equipment would probably be made on condition that State bonds be taken in payment.<sup>50</sup> Unfortunately the writer has not been able to determine the amount of bonds disposed of in this manner. The secretary's replies to the complaints of the State's creditors in regard to the non-payment of warrants varied but little in content: the Governor had no money with which to pay debts, the State bonds would not sell, and the Governor was himself a heavy loser, besides being personally under protest for thousands of dollars which he could not pay. Everything possible would be done, however, to secure a speedy settlement with the State's creditors.<sup>51</sup>

#### GRADUAL DISAPPEARANCE OF DIFFICULTIES

In addition to securing the immediate refund of \$80,000 to the State from the Federal government, Governor Kirkwood succeeded also in decreasing the drain upon the State

<sup>48</sup> Kirkwood's *Military Letter Book*, No. 1, pp. 299, 314.

<sup>49</sup> Kirkwood's *Military Letter Book*, No. 1, pp. 345, 355.

<sup>50</sup> Kirkwood's *Military Letter Book*, No. 1, pp. 329, 359, 413, 415, 423, 439.

<sup>51</sup> Kirkwood's *Military Letter Book*, No. 1, pp. 320, 341, 369; No. 2, p. 23.



War and Defense Fund. He made arrangements with the general government whereby the Iowa troops, when they received their first pay from the United States, were paid at the same time and by the same United States officer for the time they had served in the State service before being mustered into the service of the Federal government.<sup>52</sup> Moreover, the Governor did not attempt to provide clothing and arms for any of the Iowa troops except the first three regiments. He found that whatever could be furnished by the people of the State was furnished promptly on State credit, but arms and clothing and the other necessities not produced by the people of the State could be procured only with money — and thus could not be procured at all. This inability of the State to clothe and arm its troops was a matter of much mortification to the government and to the people of the State. Nevertheless, the result was probably more favorable both for the troops and for the government, because the general government could supply the necessary equipment of a better grade and more economically than the State could have done.<sup>53</sup>

These changes greatly relieved the strain on the War and Defense Fund and conditions rapidly improved. It is true that the bonds did not sell readily for cash, but they were taken by persons to whom the State owed money — usually at the rate of about ninety-two cents on the dollar. In December, 1861, Mr. Hiram Price wrote to the Governor and to the State Treasurer advocating the withdrawal of the bonds from the market. He said the situation was improving all the time, and the issue or sale of the bonds below par might as well be stopped.<sup>54</sup> In reply Governor Kirk-

<sup>52</sup> Kirkwood's *Military Letter Book*, No. 1, p. 449.

<sup>53</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 276, 277.

<sup>54</sup> Miscellaneous Correspondence from the State Treasurer's Office (1861) in the State Archives, Des Moines.

wood said that it would be a very difficult matter to stop the sale of bonds, because persons holding War and Defense Fund warrants were continually sending them in for redemption. Since the State had no money with which to redeem such warrants it would amount to practical repudiation should it refuse to exchange bonds for the warrants. Moreover, only a few bonds were being sold and the Governor expressed the opinion that if the auditing commission could only finish its work, and if the State could secure a settlement of its claims against the general government difficulties would soon disappear.<sup>55</sup> Other letters to the State Treasurer indicate that there was a steady, although not large, exchange of State bonds either for cash or State warrants.

#### RESULTS OF THE BOND SALE

During the early part of the year 1862 the Treasurer continued to exchange State bonds for State warrants and to sell bonds for cash when occasion offered, but no active campaign for the sale of bonds seems to have been attempted. And according to the reports of the State Auditor and State Treasurer, none of the War and Defense bonds were sold or exchanged for warrants after September 1, 1862. The following table shows the amounts received from the sale of State bonds:<sup>56</sup>

Total amount received up to November 4, 1861,	\$81,268.00
Received November 4, 1861, to March 1, 1862,	92,092.00
Received from March 1, 1862, to May 31, 1862,	67,784.00
Received from May 31, 1862, to August 30, 1862,	36,176.00
	\$277,320.00

Only a limited amount of these bonds were sold — a total

<sup>55</sup> *Executive Journal*, 1858-1862, Vol. I, pp. 537, 538, December 20, 1861.

<sup>56</sup> *Report of the State Auditor*, 1861, p. 14; 1863, pp. 6-10.

of \$300,000 out of the \$400,000 authorized by the Board of Commissioners. The \$300,000 worth which were sold brought into the State treasury in cash and evidences of indebtedness a total of \$277,320, or an average of 92.44 cents on the dollar.<sup>57</sup> There seems to have been no official withdrawal of the bonds from the market, and inquiries continued to come to the Treasurer in regard to them; but no more were issued. In June, 1862, however, a meeting of the Board of Commissioners was held for the purpose of considering the propriety of withdrawing the State bonds from further sale.<sup>58</sup> The writer has been unable to locate the record of the proceedings of the board at this meeting, but as no more bonds were sold although offers were made for large numbers of them, it is safe to assume that the withdrawal from further sale was authorized.

## SUMMARY

After the first shock of the war and the accompanying demoralization Governor Kirkwood, with his unyielding resoluteness and determination, gradually succeeded in securing an efficient and economical administration of the State's business. When he retired from office there was money in the treasury, the credit of the State was good, and the State bonds were selling at a premium.<sup>59</sup>

Iowa's difficulty in selling bonds in 1861 was, of course, only an incident in the momentous period of the Civil War so filled with many larger and more important features. To the people of Iowa, however, the failure of the bond sale was a severe disappointment. The bonds were issued in good faith and on good security and the people of the State

<sup>57</sup> *Report of the State Auditor*, 1865, pp. 5, 16.

<sup>58</sup> Kirkwood's *Military Letter Book*, No. 2, pp. 183, 184, 185.

<sup>59</sup> Iowa bonds were quoted at a premium in the *Banker's Magazine*, Vol. 19 (1864), pp. 77, 238, 767, 1019.

expected them to sell at par. When the good faith and credit of the State was attacked by one of the influential eastern newspapers — which it appears had been influenced by a group of unscrupulous men for selfish purposes — the people of Iowa considered the attack more seriously than did any one else. The Bond Commissioners met immediately and directed the State Agents not to sell any bonds for less than ninety cents on the dollar, which was more than the securities of most of the other northern States were selling for at that time. When the proposals were opened there were bids for more than the total issue at above eighty cents on the dollar, but there were practically no offers at above ninety cents. Had the Bond Commissioners allowed the Agents to accept eighty-five cents the bonds could have been sold and the administration would not have been so embarrassed for the means to carry on the State's part in the war. As it was, the lack of money throughout the first year of the war was a disheartening handicap to the Governor. He managed, however, to accomplish whatever had to be done and the State suffered no permanent loss through the failure of the bonds to sell at par. The State pride of the people was hurt, but rigid economy was enforced. The State did its part in helping to preserve the Union. It refused to sell its bonds at a large discount and suffered temporarily for the refusal. It vindicated its good faith: the interest on the bonds sold was paid promptly and the principal was redeemed when it became due. And at the close of the war the State had an outstanding indebtedness, on account of the war, of only \$300,000.

IVAN L. POLLOCK

THE STATE UNIVERSITY OF IOWA  
IOWA CITY