

## STATE FINANCES IN IOWA DURING THE CIVIL WAR

The ability of a Commonwealth to raise revenue depends upon certain well-known factors, the most important of which are: the character and number of the people; the purposes for which the money is to be expended and the attitude of the people toward those purposes; the resources of the State and their stage of development; available transportation facilities; banking facilities; and administrative organization, including the methods of collecting, accounting, and expending the funds raised.

### ECONOMIC CONDITIONS AT THE OUTBREAK OF THE WAR

At the outbreak of the Civil War Iowa was one of the frontier States. With an area of some fifty-six thousand square miles the State had a population of about 675,000 people, most of whom were farmers. The State was very thinly settled, but the population was increasing: from 192,214 in 1850, it had grown to 674,913 in 1860. There were only six cities of five thousand or more inhabitants in the whole State throughout the period of the war; and with the single exception of Iowa City these cities were all located on the Mississippi River.<sup>1</sup> In 1865 there were still eight counties in the State each of which had less than one hundred inhabitants; eighteen counties had less than five hundred inhabitants each; and twenty-four or nearly one-fourth of the total number of counties had less than one thousand inhabitants each.<sup>2</sup>

<sup>1</sup> *Iowa Historical and Comparative Census, 1836-1880*, pp. 424-610.

<sup>2</sup> *Iowa Historical and Comparative Census, 1836-1880*, pp. 424-610.

Iowa promised much, however, to the pioneer and immigrant seeking a home. The climate of the State was healthful, the lands were fertile, and many streams afforded natural highways to markets. Resources were here in abundance, but they were undeveloped. Settlers were coming every year in large numbers, but they had very little money. Land and coarse fare were plentiful, but capital and luxuries were scarce.

Moreover, the three years preceding the outbreak of the war had been years of trial for the Iowa farmer. The financial revulsion of 1857 reached its climax in Iowa in 1859. The crop of 1858 was very poor, due to the cold, wet season; and during the two following years the crops were below normal. The secretary of the State Agricultural Society wrote that "the general scarcity of money, connected with the fact that there is no European demand for our surplus products, has told fearfully upon the prices obtained by the producer; but, still he has *plenty*, and should be thankful that it is no worse."<sup>3</sup> In 1859 the secretary reported that the crushing weight of debt incurred during flush times had not been removed, but that it had become somewhat lightened, "not so much from the amount of products of the earth brought to market, nor from the price obtained for them, as from the vastly improved habits of economy learned and practised at home."<sup>4</sup>

Lack of transportation and communication facilities retarded the development of the State and strenuous efforts were made to secure railroads and telegraph lines. Agricultural produce brought low prices on account of the high charges for transportation to the distant markets. Woolgrowing was encouraged, because wheat and corn would not bear the expense of taking to market. Capital was scarce,

<sup>3</sup> *Iowa State Agricultural Society Annual Report*, 1857, p. 1.

<sup>4</sup> *Iowa State Agricultural Society Annual Report*, 1859, p. 5.

and little real money was in the hands of the people. Their habits and general condition and their attitude toward public affairs did not in any way tend toward the complete and careful organization so essential to the successful conduct of a war.

The people of the State, it is true, were producing great quantities of food stuffs; but the wagon roads were usually bad, railroads were just being constructed, and water transportation was slow. There was a total of only six hundred and thirty miles of railroad completed and in running order in the whole State of Iowa on March 1, 1862, and these roads extended westward from the Mississippi River towns only part way across the State. The people were begging for railroads and mortgaging their property in the effort to secure them. There was great rivalry to obtain the transportation facilities which were so vital to the interests of the various communities of the State; and newspapers and public meetings devoted almost as much space and enthusiasm to railroads as to the prospects of war.

Moreover, when at the very beginning of the war, the outlet for agricultural produce down the Mississippi River was cut off and the freight traffic of the river counties was directed over the railroads to Chicago and the East, both land and water communications were choked. Iowa farmers were practically without a market. Prices went down and freight rates went up; and the Iowa producers of food stuffs were at the mercy of the railroad lines which had had a monopoly thrust upon them.<sup>5</sup> Corn was burned for fuel. In such a situation there was little money with which to pay ordinary taxes. To pay extraordinary war taxes seemed impossible. "Our business operations have been interrupted," said Governor Kirkwood in his message of Janu-

<sup>5</sup> Fite's *Social and Industrial Conditions in the North during the Civil War*, pp. 42-77.

ary 15, 1862, "our markets have been closed, the prices of the products of our industry have been lessened, we have been compelled to wholly forego or materially to curtail the use of some luxuries which, by use, had become to us comforts of life, and these things must continue to be. They are the inevitable attendants of war, and must be borne as they have been borne, bravely, unflinchingly, and cheerfully." But, he added, "there is not in the world a people of equal numbers, all of whom enjoy today so many of the necessaries and of the comforts of life as are enjoyed by our people. In our own State our cause of complaint is not that we have not enough of the necessaries of life, but that we can not get high enough prices for what we can spare of our superabundance; not, that we have not food, but that we cannot sell to advantage food we do not need!"<sup>6</sup>

#### REVENUE LAWS AND STATE FINANCES

The financial situation in the State was more disheartening even than were general economic conditions. Taxes were burdensome and difficult to collect. The money situation was unfavorable: the State Bank with its several branches had just been established and the depreciated paper of the unregulated banks of neighboring States was in circulation throughout Iowa. The exchange value of this paper fluctuated from day to day, but it was difficult to drive it out of circulation and there was not enough good money available to take its place. A general lack of confidence permeated the whole atmosphere and business was depressed.

An examination of the financial provisions of the State Constitution is necessary to an understanding of the financial situation in the State at the outbreak of the war. The

<sup>6</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 306.

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present Constitution of Iowa was ratified in August, 1857 — almost four years before the War of the Rebellion commenced. The convention was held and the Constitution drafted during a serious financial crisis, which disturbed the commercial and financial interests of the whole country. The first Constitution of Iowa, adopted in 1846, had guarded against excessive State expenditures for internal improvements. It had, moreover, prohibited banks of issue in Iowa. Since the surrounding States were not so restricted Iowa became a dumping-ground for the worthless paper of the unstable banks of Wisconsin, Illinois, Missouri, and Nebraska. The prohibition of banks so seriously crippled the commercial interests of the State that the demand for adequate banking and taxing laws led to the drafting and adoption of the new Constitution.

The financial provisions of the Constitution of 1857 fall into four categories — taxation, public debt, banking, and school funds. These provisions, with the exception of the one relating to school funds, were to have an important bearing on the problems of financing the war.

From the Constitution of 1846 the provision that “all laws of a general nature shall have a uniform operation”<sup>7</sup> was retained. It was further provided that “the General Assembly shall not pass local or special laws . . . for the assessment and collection of taxes for State, County, or road purposes”;<sup>8</sup> and it was declared that “the property of all corporations for pecuniary profit, shall be subject to taxation, the same as that of individuals.”<sup>9</sup> Thus the Constitution provides that the rule of taxation shall be uniform, and that taxes shall be levied upon property in such manner as is prescribed by the legislature.

<sup>7</sup> *Constitution of Iowa, 1846, Art. I, Sec. 6; Constitution of Iowa, 1857, Art. I, Sec. 6.*

<sup>8</sup> *Constitution of Iowa, 1857, Art. III, Sec. 30.*

<sup>9</sup> *Constitution of Iowa, 1857, Art. VIII, Sec. 2.*

The natural development of the State had rendered banking facilities more and more a necessity. Consequently one of the most important questions before the constitutional convention of 1857 was that of banking. The need of a sound banking system was emphasized by the panic of 1857 with its widespread financial and commercial depression. Most of the western banks suspended specie payment and thousands of Iowa citizens lost heavily. It was not surprising then that the Constitution authorized the General Assembly, with the subsequent approval of the people, to establish both a State Bank with branches, founded upon an actual specie basis and the branches mutually liable for each other's issues, and a general free banking system carefully safeguarded.<sup>10</sup> At its session in 1858 the General Assembly authorized the establishment of a State Bank with branches and provided for the inauguration of a general banking system; and both laws were ratified by the people before the close of the same year.<sup>11</sup> Measures were soon taken to put the State Bank into operation. This institution, with its several branches — fifteen in all — played an important part in aiding the State with its finances during the most discouraging period of the war.

The Constitution of 1857 was very explicit in its provisions against: (1) the creation of a large or permanent State debt, (2) large indebtedness on the part of municipal corporations, and (3) the exploitation of the State or its treasury. It declares that "the credit of the State shall not, in any manner, be given or loaned to, or in aid of, any individual, association, or corporation" and that no money shall be paid out of the treasury except in pursuance of an appropriation made by law.<sup>12</sup> The power of a county or

<sup>10</sup> *Constitution of Iowa, 1857, Art. VIII, Secs. 4-12.*

<sup>11</sup> *Laws of Iowa, 1858, Chs. 87, 114; Shambaugh's Messages and Proclamations of the Governors of Iowa, Vol. II, p. 204.*

<sup>12</sup> *Constitution of Iowa, 1857, Art. VII, Sec. 1, Art. III, Sec. 24.*

other political or municipal corporation to contract debts is limited to an amount in the aggregate not exceeding five per cent of the value of the taxable property within the county or municipal corporation.<sup>13</sup> This provision seemed to be necessary in 1857, owing to the fact that in their great anxiety to procure the construction of works of internal improvement many counties and cities of the State had adopted the policy of creating large municipal debts for the purpose of becoming stockholders in railroads and other private corporations.<sup>14</sup> In his message to the General Assembly on December 2, 1856, Governor Grimes stated that the amount of such indebtedness voted by the different cities and counties at that time exceeded seven millions of dollars. On account of the liability of abuse, the Governor recommended that the power of cities and counties to incur indebtedness be limited.<sup>15</sup>

The Constitution stipulates that the State may contract debts for the purpose of defraying extraordinary expense, but the aggregate amount of such debts shall never exceed two hundred and fifty thousand dollars.<sup>16</sup> Debts to any amount may be contracted for the purpose of repelling invasion, suppressing insurrection, or defending the State in time of war; but the money borrowed for such purposes shall be applied exclusively for those purposes or for the repayment of the debts.<sup>17</sup> With the above exception, the

<sup>13</sup> *Constitution of Iowa*, 1857, Art. XI, Sec. 3.

<sup>14</sup> The Supreme Court of the State later decided that inasmuch as the credit of the State could not be loaned to private corporations the General Assembly had no power to authorize the cities and counties of the State to lend their credit and to become stockholders in private corporations.—See *Stokes v. The County of Scott*, 10 Iowa 166; and *State of Iowa, ex rel. The Burlington and Missouri River Railroad Company v. The County of Wapello*, 13 Iowa 388.

<sup>15</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 37, 38.

<sup>16</sup> *Constitution of Iowa*, 1857, Art. VII, Sec. 2.

<sup>17</sup> *Constitution of Iowa*, 1857, Art. VII, Sec. 4.

incurring of every debt must be authorized by law and the purpose of the debt must be distinctly specified in the law. Every law authorizing a debt must provide for the levying of an annual tax sufficient to pay the interest as it falls due, and to pay and discharge the principal within twenty years from the time the debt was contracted. The proceeds of such taxes must, moreover, be specifically applied to the payment of such debt and principal. Nor can the levy be repealed or the taxes be postponed until the principal and the interest have been paid in full. A law contracting a debt shall not take effect until it has been published and distributed, submitted to a vote of the people, and ratified by them.<sup>18</sup>

These provisions are explicit and there is no doubt of their wisdom. It was, however, through misunderstanding or misinterpretation of these provisions that the State bond issue failed at the beginning of the Civil War in 1861. It was declared by certain factions, both within and without the State, that the law authorizing the sale of State bonds was clearly unconstitutional, first, because the State already had an indebtedness as great as the Constitution allowed; and second, because it was impossible to show that the State was in danger of invasion or insurrection. The opponents of the loan claimed that it was to enable the State to fulfill its constitutional obligations to the Federal government that the loan was needed. Outsiders gave the State credit a bad name by declaring that cities and counties all over the State had barefacedly repudiated their honest debts; and that the people, the legislature, and courts were all working together to avoid paying their honest obligations.

In the matter of accounting and administration the Constitution specifies that an accurate statement of the receipts and expenditures of all public money shall be published

<sup>18</sup> *Constitution of Iowa*, 1857, Art. VII, Secs. 5-7.



with the laws at every regular session of the General Assembly.<sup>19</sup> It also stipulates that no money shall be drawn from the treasury except in consequence of appropriations made by law.<sup>20</sup>

With the outbreak of the war Iowa was called upon to furnish and equip troops for Federal service and also to defend the borders of the State. The situation demanded more revenue. Consequently loans had to be made and it was necessary to impose additional and heavier taxes. The finances of the State were not on a very firm basis, as has been seen, nor was the system of taxation especially well adapted to the efficient handling of the situation. The general property tax was in use almost exclusively. The administrative system was decentralized and the law was laxly enforced. The State was every year sustaining a large loss on account of delinquent taxes, and it was with the greatest difficulty that returns could be secured from the different counties. It was estimated that there was a loss to the counties and to the State of from ten to fifty per cent on account of delinquent and unpaid taxes — the amount being measured by the large depreciation of county and State warrants.<sup>21</sup> The finances of the State were depressed as a result of the panic of 1857 and the subsequent poor crops, and the payment of the taxes necessary to the support of the government was felt as a burden by the people. Economy and retrenchment were everywhere demanded.<sup>22</sup>

In his first inaugural message, delivered to the General Assembly on January 11, 1860, Governor Kirkwood recommended a careful examination of the State revenue system

<sup>19</sup> *Constitution of Iowa*, 1857, Art. III, Sec. 18.

<sup>20</sup> *Constitution of Iowa*, 1857, Art. III, Sec. 24.

<sup>21</sup> Brindley's *History of Taxation in Iowa*, Vol. I, p. 52.

<sup>22</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 235.

with a view to making it more dependable and efficient. He complained of a vagueness in the laws which tended to introduce among officials a laxity of morals highly dangerous to the public interest, and added that "any system of revenue which permits large amounts of taxes to become delinquent and to be ultimately lost to the State, must be defective, and must operate unjustly and unfairly upon our people. The deficiencies thus created in the revenue must be provided for by additional taxation upon those who have already discharged their duty as citizens, by paying the taxes assessed upon them, and they are thus compelled to bear more than their due proportion of the public burden. The laws should provide for the most rigid and exact accountability of all officers charged with the collection, control or disbursement of the public money."<sup>23</sup>

As the law stood at the beginning of the war, the board of supervisors of each county of the State levied annually the following taxes upon the assessed value of the taxable property in the county: for State revenue one and one-half mills on the dollar when no rate was directed by the Census Board, but in no case in excess of two mills on the dollar; for ordinary county revenue, including the support of the poor, not more than four mills on the dollar, and a poll tax of fifty cents; for the support of the schools, not less than one nor more than two mills on the dollar; for the bridge fund, not more than one mill on the dollar, whenever the board of supervisors thought such a levy necessary. Normally the board of supervisors acted as a board of equalization for the county and the Census Board as a board of equalization for the State. Property was assessed by elective township assessors and taxes were collected by the county treasurers, who forwarded the State's portion to the

<sup>23</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 234.

State Treasurer. Heavy penalties were imposed for delinquency in the payment of taxes. Property was freely sold to satisfy taxes and tax deeds were given to the purchasers.<sup>24</sup> Taxes were not paid promptly, however, and the State Auditor in his report for 1861 declared that "the aggregate amount of delinquent taxes is yearly increasing". He suggested that the penalty be increased and a uniform system of accounts be established.<sup>25</sup> Each county was held responsible to the State for the full amount of the tax levied for State purposes.<sup>26</sup> Auditor's warrants were receivable in payment of State taxes and county warrants were receivable in the proper county in payment of ordinary county taxes. Money only was receivable for school taxes.<sup>27</sup>

In addition to the fact that the tax system was decentralized, the accounting systems in the offices of the State Treasurer and State Auditor were unscientific, to say the least. A commission composed of John A. Kasson, J. M. Griffith, and Thomas Seely, appointed in 1858, to investigate the several State offices reported to the Governor in 1859 that the system of bookkeeping in the Treasurer's office was unsatisfactory. "The whole general revenue account is kept by a single book," it was said, "used for the first and only entries, showing in primary form, as on ordinary journal or blotter, the receipts and payments. There is no checking account whatever, no posting, no ledger."<sup>28</sup> The Treasurer's bank pass book showed an account between the bankers and the Treasurer in his private capacity only. There

<sup>24</sup> *Revision of 1860*, Ch. 45.

For a complete discussion of the State tax system at the beginning of the war see Brindley's *History of Taxation in Iowa*, Vol. I, pp. 45-70.

<sup>25</sup> *Report of the State Auditor*, 1861, p. 32.

<sup>26</sup> *Revision of 1860*, Sec. 793.

<sup>27</sup> *Revision of 1860*, Sec. 754.

<sup>28</sup> *Report of the Commissioners Appointed to Investigate the Several State Offices*, p. 35, in the *Iowa Legislative Documents*, 1859-1860.

were no separate accounts and it was found impossible to determine the amounts received from the various sources.

In regard to the Auditor's office the commission reported that "there has been no mode of transaction of the business of this office, that can be justly called *a system*, since its establishment. There are in former years, debits without credits, and credits without debits, and accounts without balances, and books of memoranda, rather than books of account."<sup>29</sup>

The commissioners made definite recommendations relative to the improvement of the accounting system used in these offices, but no action was taken by the General Assembly; and no noticeable improvement is to be found in the reports of the officers until after the close of the Civil War. It has not been possible, for instance, to get from these reports a statement showing the amounts of State revenue derived from the various sources. The reports do not designate in detail or by class the various sources of revenue, but merely list receipts as received during the quarter for State revenue. The various sources are designated for the first time in the reports for 1867.

The people of the State were without a supply of ready money at the beginning of the war; and it was with much difficulty and great delay that the taxes were collected. In his message of January 11, 1860, Governor Kirkwood deplored the fact that such a large amount of taxes was left unpaid. The Auditor also stated that the penalty for the non-payment of taxes was not sufficiently heavy and should be raised. Governor Kirkwood discussed the revenue situation more fully in his first biennial message of January 15, 1862. After referring to the economy practiced by the State during the first year of the war he spoke of the un-

<sup>29</sup> Report of the Commissioners Appointed to Investigate the Several State Offices, p. 81, in the *Iowa Legislative Documents, 1859-1860*.

healthy condition of the finances due largely to delinquent taxes. He pointed out the fact that the Auditor's reports showed that there were, on November 4, 1861, unpaid and delinquent State taxes to the amount of nearly \$400,000 — an amount more than sufficient to cover the entire expenses of the State government for one year. Moreover, this large delinquency had accumulated within a very few years. The same Auditor's report shows that there were at the same date State warrants, unpaid for want of funds, amounting to \$103,645, most of which were drawing interest at eight per cent.<sup>30</sup>

Because of the above facts the Governor declared that the following conclusions were inevitable: (1) that during the previous four years there had been levied a State tax larger by about \$300,000 than the necessities of the State required; (2) that this tax levy was rendered necessary by the fact that only a portion of the people paid the taxes due the State; (3) that the State had been compelled to pay annually large sums by way of interest on warrants, which need not have been paid had the taxes been collected promptly and the treasury kept supplied with funds to meet all demands upon it; (4) the State, being compelled to purchase its supplies with warrants, was obliged to pay higher prices than if it had the cash to pay; and (5) the taxpaying portion of the people had thus been compelled to pay not only their own proper share of the public burdens, but also the share of those who did not pay their taxes, increased by interest and high prices.<sup>31</sup>

The entire section of the Governor's message relating to revenue and taxation constituted an able treatment of the subject. He stated that in his judgment the leading features

<sup>30</sup> *Report of the State Auditor, 1861, p. 12; Shambaugh's Messages and Proclamations of the Governors of Iowa, Vol. II, p. 265.*

<sup>31</sup> *Shambaugh's Messages and Proclamations of the Governors of Iowa, Vol. II, pp. 265, 266.*

of a good revenue law were: (1) the imposition of penalties of such weight for the non-payment of taxes as to make it without question the best interest of every taxpayer to pay promptly; and (2) the assurance to the purchaser of property sold for taxes of a valid title at the expiration of a definite period. Both of these suggestions aimed at greater effectiveness in the collection of taxes.<sup>32</sup> Furthermore, the Governor recommended, "in order to make the revenue of the State more certain", that the county treasurers be required by law to pay the State Treasurer certain proportions of the amount of revenue due to the State at fixed times until the entire sum for each year was paid, whether the county treasurers had collected the entire amount of the State taxes or not. "At present the State is wholly helpless as to its revenue", said the Governor. "It has to depend wholly upon the officers of Counties for its collection and transmission, and if the county officers are inefficient, the State is remedyless. Each county is now liable by law to the State for the amount of State tax assessed in it, but this liability, without any means of making it practically effective, is useless. If the Counties were required to pay the revenue due the State, whether collected or not, the County Supervisors would be stimulated to require of the Treasurer a strict performance of his duties".<sup>33</sup>

The fact that much depreciated paper money in the form of bank-notes was in circulation and that specie was very hard to obtain made the collection of taxes more difficult, since only specie or State warrants were receivable for State taxes, and only specie, State warrants, or proper county warrants were receivable for county taxes. And it is of interest to note that in spite of the fact that taxes were

<sup>32</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 266.

<sup>33</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 271.

increased during the war, the reports show no appreciable increase in the amount of delinquent taxes. As a matter of fact, the proportion of delinquent taxes to the total amount of taxes collected was measurably decreased. [See Table I.] That many people could not pay their taxes is attested, however, by the long lists of real property advertised to be sold for delinquent taxes and published in the county papers, with the names of the owners and an announcement of the date at which the sale was to be held.<sup>34</sup> These descriptions frequently filled whole pages of the county papers. In fact, it is said that newspapers were frequently established for the sole purpose of sharing in the lucrative official county printing.

The following table shows the amount of State taxes received from the several counties, and the amount of delinquent taxes due to the State from the several counties for the years including the war period.<sup>35</sup>

<sup>34</sup> *Iowa City Republican*, November 11, 1863, and September 28, 1864. *The Anamosa Eureka* in its issue of September 6, 1861, contained the following editorial: "THE TAX LIST.— This annual nuisance on which half the papers in the State rely to keep their heads above water, and which after the first week becomes as stale as a dead herring is published today".

The rates for the publication of the notices of delinquent taxes in newspapers were cut in half by Ch. 24 of the *Laws of Iowa* (Extra Session), 1861.

<sup>35</sup> Table I is compiled from the State Auditors' reports.

The amount given under the heading "State taxes received from the several counties" in Table I includes besides the ordinary State revenue and the insane dues from counties and interest on delinquent taxes, small sums received from the sale of laws and from peddlers' licenses prior to 1869.

The amount of delinquent taxes is the sum of the delinquent taxes due the State at the date of the report and includes the unpaid taxes for all prior years which have not been struck off the books as unavailable. For example, the *Report of the State Auditor* for 1861 shows that the delinquencies for the period ending on November 4, 1861, included the following unpaid and overdue taxes:

Delinquent taxes of 1857 and previous years.....	\$ 31,311.39
Delinquent tax of 1858.....	27,441.52
Delinquent tax of 1859.....	30,524.56
Delinquent tax of 1860.....	68,178.78
Delinquent tax of 1861.....	134,892.96
Total.....	<u>\$392,349.21</u>

TABLE I

FOR THE BIENNIAL FISCAL PERIOD ENDING	AMOUNT OF STATE TAXES RECEIVED FROM THE SEVERAL COUNTIES	AMOUNT OF STATE TAXES DUE FROM THE SEVERAL COUNTIES
Nov. 7, 1859	\$ 513,189.79	\$293,122.10
Nov. 4, 1861	578,759.91	392,349.21
Nov. 2, 1863	861,260.66	325,062.95
Nov. 4, 1865	881,808.10	339,743.39
Nov. 2, 1867	1,028,591.24	436,436.57
Oct. 30, 1869	1,277,494.42	531,920.38
Nov. 4, 1871	1,525,062.42	457,249.46

The Auditor estimated in 1861 that about twenty per cent of the delinquent taxes would be unavailable.

Notwithstanding the losses and delays due to delinquent taxes the finances of the State took on a healthier tone under the pressure of war. State and county officers performed their duties more effectively, the people paid their taxes more readily and could pay more easily on account of successive good crops and high prices for produce. That the curse of unpaid taxes bore heavily upon the State government at the outbreak of the war, however, is shown in the following appeal addressed by the Governor to the people of the State on June 11, 1861:

I earnestly appeal to the property-holders of the State to aid in the prompt payment of delinquent taxes. We have Men, brave and true, in superabundance. There is Money due the State Treasury sufficient to meet the present legal demand upon the General Fund

Not long after Governor Kirkwood had delivered his message in January, 1862, calling upon the people of the State to pay their taxes promptly he received the following letter from the treasurer of Johnson County, dated Feb. 12, 1862: "Permit me to say a word about your delinquent taxes in this county. Mr. Sperry sold a portion of it last fall for the Taxes, and now there are plenty of purchasers for the balance. They consider a *good joke* on you to urge in your inaugural the prompt payment of taxes, and at the same time leave your own unpaid. No doubt but in the vast amount of your duties you have forgotten it, or supposed they were paid."—*Kirkwood Correspondence*, No. 459.

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for Civil and Military purposes, and pay off a large portion of the State indebtedness; but while a sum exceeding \$400,000 of former levies is in arrears, the Executive Department of the State is rendered Comparatively powerless, and the military service subjected to extreme embarrassments. Will the patriotic masses of Iowa in their individual capacity see to it that this barrier to effective military service, shall be as speedily as possible removed?<sup>36</sup>

In order to illustrate the status of county finances in Iowa during the war period the following data from a report of the county board of supervisors of one of the leading counties of the State—Johnson County—is here presented.<sup>37</sup> This data includes the amount of taxes levied in Johnson County for the years 1858, 1859, 1860, 1861, 1862, with the amount collected in each year, and amount still delinquent on May 31, 1863:

STATE TAX			
YEAR	LEVIED	COLLECTED	DELINQUENT
1858	\$ 8,014.86	\$ 7,386.54	\$ 628.32
1859	7,255.73	6,646.30	609.43
1860	6,891.84	6,444.25	447.59
1861	9,024.70	7,720.77	1,303.93
1862	8,381.05	6,412.75	1,968.20
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	\$39,568.18	\$34,610.61	\$ 4,957.57

COUNTY TAX			
YEAR	LEVIED	COLLECTED	DELINQUENT
1858	\$ 33,952.50	\$ 31,977.97	\$ 1,974.53
1859	31,037.41	29,045.19	1,992.22
1860	20,505.79	18,940.42	1,565.37
1861	19,902.39	16,699.57	3,202.82
1862	19,000.42	13,976.96	5,023.46
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	\$124,398.51	\$112,640.11	\$13,758.40

<sup>36</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 473.

<sup>37</sup> *Iowa City Republican*, June 17, 1863.

## SCHOOL TAX

YEAR	LEVIED	COLLECTED	DELINQUENT
1858	\$ 5,301.02	\$ 4,082.64	\$ 218.38
1859	4,835.95	4,613.07	222.88
1860	4,579.14	4,325.52	253.62
1861	4,520.67	3,835.39	685.28
1862	4,205.30	3,209.72	995.58
	<hr/>	<hr/>	<hr/>
	\$23,442.08	\$21,066.34	\$ 2,375.74

## COUNTY ROAD TAX

1858	\$ 8,375.38	\$ 7,106.20	\$ 1,269.18
1859	7,572.14	6,229.16	1,342.98
	<hr/>	<hr/>	<hr/>
	\$15,948.02	\$13,335.36	\$ 4,612.16

## RAIL ROAD TAX

1858	\$10,664.97	\$10,224.98	\$ 440.19
1859	4,839.58	4,605.51	234.07
1860	4,581.83	4,315.20	266.63
1861	4,511.37	3,808.56	702.81
	<hr/>	<hr/>	<hr/>
	\$24,597.65	\$22,954.25	\$ 1,643.70

## BRIDGE TAX

1858	\$10,670.44	\$10,231.59	\$ 438.85
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## TOWNSHIP TAX

1859-1860	\$ 3,490.85	\$ 3,456.21	\$ 34.64
1861	1,777.17	1,699.70	77.47
1862	3,393.70	1,632.31	1,761.39
	<hr/>	<hr/>	<hr/>
	\$ 8,666.72	\$ 6,788.22	\$ 1,873.50

## POOR HOUSE TAX

1861	\$ 2,258.78	\$ 1,917.77	\$ 341.01
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## INTEREST ON BOND TAX

1861	\$ 2,259.97	\$ 1,920.75	\$ 339.22
1862	1,582.17	1,206.48	375.69
	<hr/>	<hr/>	<hr/>
	\$ 3,842.14	\$ 3,127.23	\$ 714.91

McKEE JUDGMENT TAX			
1861	\$ 3,384.35	\$ 2,883.43	\$ 500.92
WAR FUND			
1861	\$ 3,384.36	\$ 2,883.74	\$ 500.62
LYONS IOWA CENTRAL RAIL ROAD FUND			
1860	\$10,094.36	\$ 7,978.87	\$ 2,115.49
FEDERAL TAX			
1861	\$ 9,024.70	\$ 7,490.40	\$ 1,534.30
RELIEF TAX			
1862	\$ 4,208.30	\$ 3,203.16	\$ 1,005.14
BOUNTY TAX			
1862	\$52,564.85	\$40,097.71	\$12,467.14
INSANE HOSPITAL TAX			
1862	\$ 1,047.63	\$ 802.53	\$ 245.10

The exhibit shows a total levy for all purposes of \$337,101.07  
 A total collection of..... 292,011.32

Total delinquent .....\$ 45,089.75

This statement indicates also some of the funds for which local taxes were being levied. It indicates, moreover, that in Johnson County the proportion of delinquent taxes to the total levy was high — approximately fifteen per cent. For 1862 alone the delinquent taxes amounted to approximately one-fourth of the total levy.

#### IOWA FINANCES AT BEGINNING OF WAR

It would be difficult to imagine a Commonwealth less prepared for war than was Iowa at the outbreak of the Civil War. The resources of the State were undeveloped. The State was thinly populated. Political feeling ran high and the sentiment of the people was divided: many people thought that a compromise could be effected; and nearly all of them failed to realize the seriousness of the situation.

Transportation and communication facilities were slow and entirely inadequate to meet the need for quick service. Economic conditions generally were unfavorable; prices were poor. The newly established State Bank, with its several branches, was improving the money and credit situation, but it had not fully established itself in the confidence of the people. In fact, the transactions of some of the branches had been questionable. The taxing system of the State was not well adapted to cope with extraordinary demands; payments were slow and there was a constant loss from delinquent and unpaid taxes. The financial administration was not well organized, while the accounting system was loose and inefficient.

The militia of the State was unorganized and absolutely no preparation had been made for war. When the call for troops came there was not a single unit of the regular army within the borders of Iowa. There were neither forts nor garrisons — not a single military post was located within the State.<sup>38</sup> Neither were arms or equipment of any kind available and there were no funds in the treasury. Moreover, in the actual preparation for war the lack of telegraph lines and railroads in the interior of the State caused much delay in the transmission of orders and the movement of troops. The fact that no railroad or telegraph line was built to the capital city of Des Moines until a year after the close of the war indicates something of the difficulties to be overcome in prosecuting a war under the conditions which then existed.

Such was the situation in Iowa when on April 16, 1861, the Secretary of War called upon Governor Kirkwood to furnish troops for immediate service. Upon receipt of this call the Governor issued a proclamation to the people of the

<sup>38</sup> Briggs's *The Enlistment of Iowa Troops during the Civil War* in THE IOWA JOURNAL OF HISTORY AND POLITICS, Vol. XV, pp. 324-330.

State calling upon the militia to form volunteer companies in the different counties with a view of entering the active military service of the United States. He also wrote to the Secretary of War for information relative to the probable number of troops to be called from Iowa, and the terms upon which volunteers were to be mustered into the service of the United States. At the same time he assured the administration of the loyalty of Iowa.<sup>39</sup>

The Governor acted upon the assumption that the State would pay all the expenses connected with the raising of troops until they were mustered into the service of the United States and that the Federal government would arm and equip them.<sup>40</sup> Since the General Assembly met only once in two years and had adjourned early in 1860 there was no legislative authority authorizing the expenditure of funds. Nevertheless, the Governor postponed convening the General Assembly in extra session until there was some realization of the seriousness of the situation confronting the Federal government and the loyal States. He did not wish to incur the expense of an extra session unless it was absolutely necessary and it was made unnecessary for a time through the action of the branches of the State Bank in placing funds at his disposal.<sup>41</sup>

Governor Kirkwood soon realized, however, that conditions would demand action requiring legislative sanction and on April 25th he issued a proclamation convening the General Assembly to meet in extra session on May 15, 1861.<sup>42</sup> "For the Union as our Fathers framed it, and for the Government they founded so wisely and so well," said

<sup>39</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 468; *War of the Rebellion: Official Records*, Ser. III, Vol. I, p. 74.

<sup>40</sup> *War of the Rebellion: Official Records*, Ser. III, Vol. I, p. 87.

<sup>41</sup> *War of the Rebellion: Official Records*, Ser. III, Vol. I, p. 87.

<sup>42</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 470.

the Governor in his special session message, "the people of Iowa are ready to pledge every fighting man in the State, and every dollar of her money and credit; and I have called you together in Extraordinary Session for the purpose of enabling them to make that pledge formal and effective."<sup>43</sup>

In reverting to the action he had already taken, the Governor said that at the outset he had met two difficulties: first, there were no funds under his control to meet the necessary expenses; and, second, there was no efficient military law under which to operate. The banks placed the necessary funds at his disposal and the patriotic response of the people removed or made less serious the second difficulty. In this way the requirements had so far been met. The Governor recommended that steps be taken to protect the State against invasion and that preparation be made to supply promptly any further aid needed by the Federal government. He specifically asked for the enactment of a military law authorizing, among other things, the formation of a military staff to aid him in raising, arming, equipping, and supporting the troops required to be raised by the State. Furthermore, he declared that it would be necessary to use the credit of the State to raise the funds with which to meet the extraordinary expense incurred and to be incurred, and that the General Assembly had the power "under that provision of the constitution which authorizes without a vote of the people the contracting of a debt 'to repel invasion', 'or to defend the State in War.' "

"I feel assured", continued the Governor, "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

<sup>43</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 253.

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 of dollars unite to make her bonds among the most desirable investments that our country affords.

“The people of Iowa, your constituents and mine, remembering that money is the sinews of war, will 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>44</sup>

#### WAR LEGISLATION

The war demanded a more energetic and capable administration of State finances than had previously existed. At the same time it demanded a greater willingness to impose and pay taxes. The demand was met with serious determination and with a ready response, and the financial administration was fairly efficient throughout the war period.

The State had heretofore conducted its necessary business on a comparatively small amount of money. For the biennial fiscal period ending on November 7, 1859, the ordinary expenditures of the State government had amounted to only \$366,198.57; and the extraordinary expenditures for the same period amounted to \$212,157.45 — making an aggregate of only \$578,356.02 expended by the State in the two years.<sup>45</sup> Money was scarce and a small amount to be paid in taxes was felt as a burden by the majority of the people of the State.

<sup>44</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 256-259.

<sup>45</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 140.

When the war became a reality the State accepted its share of the burden without question. The General Assembly wasted no time while convened in special session in the summer of 1861, but strove to provide ways and means whereby the State's part in the war could be economically and efficiently performed. Provision was made whereby the maximum tax levy for State purposes could be increased from two to two and one-half mills on a dollar. County treasurers were authorized to collect delinquent taxes by the sale of the property upon which the taxes were levied.<sup>46</sup> The Governor was empowered to purchase munitions of war and was provided with a contingent fund from which to defray extraordinary expenses.<sup>47</sup> A State war loan of \$800,000 was authorized; and provision was made for the reorganization of the State militia.<sup>48</sup>

A special fund was created — known as the "War and Defense Fund" — from which were to be paid all of the expenses incurred, by the State or its representatives, for the purpose of aiding the United States government in putting down the rebellion. Into this fund were to be placed the proceeds to be derived from the proposed sale of State bonds. This fund was kept separate and was not subject to the ordinary or general warrants of the State Auditor, but only to warrants issued for debts created for the purposes specified.<sup>49</sup>

In order to further safeguard the State provision was made for a board of commissioners whose duty it was to audit all accounts and claims against the war and defense fund. No military claims of any character were to be paid unless they were submitted to this board and examined and

<sup>46</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 24.

<sup>47</sup> *Laws of Iowa* (Extra Session), 1861, Chs. 4, 20.

<sup>48</sup> *Laws of Iowa* (Extra Session), 1861, Chs. 16, 17, 18.

<sup>49</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16, Secs. 3, 5.



allowed by it. No accounts were to be allowed unless they were proved to be valid before the auditing commissioners in the same manner and form as the validity of accounts was established in the courts of the State and according to the same rules of evidence.<sup>50</sup>

The State derived practically all its revenue from the general property tax, the levy for State purposes being determined by the Census Board and added to the levies made by the several counties. The counties collected the State tax with their own, and the county treasurers then sent it to the State Treasurer. This dependence upon the efficiency of the county collections made the amount of State revenue uncertain and increased the difficulty of preventing loss through delinquencies. As a matter of fact, few changes were made in the taxing system during the war. A more insistent demand upon the counties did, however, result in better collections and, partly as war measures, the railroads of the State were taxed one per cent of their gross receipts, and the penalties on delinquent taxes were increased.<sup>51</sup>

Reference has already been made to Governor Kirkwood's able statement of the revenue situation and his recommendations concerning the action which he thought should be taken in regard to it. In addition to his suggestions looking toward improvement in the collection of taxes — which were enacted into law — he presented a program of economies to be followed in the appropriations for State institutions. His program was accepted and the State thereby saved, for the time being, approximately \$175,000 during the first two years of the war.<sup>52</sup>

Intimately connected with the subject of taxation and

<sup>50</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 10.

<sup>51</sup> *Laws of Iowa*, 1862, Ch. 173, Secs. 16-20.

<sup>52</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 270.

revenue during the war period was the question of the kind of money to be received in payment for taxes. At the outbreak of the war specie only was receivable. Shortly after the war began, however, the Federal government and the banks throughout the country were forced to suspend specie payments. Hence it became apparent that the State would be unable to collect its revenue in coin. As a result there was a demand that such changes be made in the law as would permit the payment of taxes in United States treasury notes and the notes of the State Bank of Iowa. The branches of the State Bank were required to redeem their circulation in coin at all times, and it was thought that to allow taxes to be paid in notes of the State Bank of Iowa would make payments more easy and more certain and at the same time aid to some extent in keeping up the circulation of the State Bank. The State Bank notes were declared to be honest representatives of specie. They should, therefore, be received in payment of taxes.<sup>53</sup>

In compliance with what appeared to be a popular demand, the General Assembly, in 1862, authorized the receipt of United States treasury notes and the notes issued by the several branches of the State Bank of Iowa in payment of county and State taxes and other dues. Notes of the State Bank were not to be received, however, in case any one of the branches suspended specie payments. Moreover, these provisions were to remain in operation only until January 31, 1864.<sup>54</sup> Practically the same law was re-

<sup>53</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 274.

"It must be manifest to all," declared the *Iowa State Register*, "that if our taxes shall be promptly paid, some other currency than gold must be provided, and in authorizing its own bank issues to take the place, measurably, of specie, Iowa would only follow the example which the General Government has been compelled to inaugurate."—*Iowa State Register* (Des Moines), February 5, 1862.

<sup>54</sup> *Laws of Iowa*, 1862, Ch. 17.

enacted in 1864. National bank notes were made receivable for taxes; and as in the former law county treasurers were directed to pay the specie received by them into the State treasury and not attempt to dispose of it.<sup>55</sup> Provision was also made in 1862 whereby county treasurers were authorized to receive State Auditor's warrants on the war and defense fund in payment of State and Federal taxes.<sup>56</sup> A law was enacted in 1864 which prohibited the circulation of foreign bank notes in this State;<sup>57</sup> and an attempt was made in 1862 to enact a State income tax law, but such a measure failed to find favor in the legislature.<sup>58</sup> After the suspension of specie payments became general the financial transactions of the State were made in United States notes and State Auditor's warrants drawn upon the general revenue fund or the war and defense fund of the State.

In 1861 the Federal government enacted a law providing for a direct annual tax of twenty millions of dollars to be apportioned among the several States. Iowa's share of this tax was \$452,088. Provision was made whereby the States could collect their portion of the tax themselves or they could leave it to the Federal government to collect. In case the States collected the tax a discount of fifteen per cent was allowed for collection if completed prior to a certain date. It was provided, moreover, that the tax could be satisfied by the release of bona fide claims which the States held against the Federal government.<sup>59</sup> There was little newspaper comment regarding the Federal tax in Iowa newspapers; and the first act passed by the Ninth General Assembly provided for the assumption and collection of this

<sup>55</sup> *Laws of Iowa*, 1864, Ch. 43.

<sup>56</sup> *Laws of Iowa*, 1862, Ch. 21.

<sup>57</sup> *Laws of Iowa*, 1864, Ch. 53.

<sup>58</sup> See *House Journal and Senate Journal*, 1862, House File No. 155.

<sup>59</sup> *United States Statutes at Large*, Vol. XII, Ch. 45, Secs. 8, 53, p. 292.

direct tax.<sup>60</sup> A levy of two mills upon the dollar for the purpose of satisfying the tax was laid on the valuation of 1861. County treasurers were directed to collect the tax with other taxes, but to keep a separate account stating the amounts collected. The Governor was authorized and directed to adjust with the Federal government the claims which this State had against it and apply the amount of the claims toward paying Iowa's quota of the Federal tax. The money derived from this tax was turned into the war and defense fund and used to pay the war and defense warrants.<sup>61</sup> Congress repealed the law authorizing this tax in 1864, after only one annual tax had been levied under its provisions.<sup>62</sup>

## REVENUE AND EXPENDITURES

It has been shown that the finances of the State were not on as firm a basis as could have been desired when the war opened. The taxing system was decentralized, a large portion of the State's revenue was difficult to collect, the administration of the finances was inefficient, and good money was scarce. In addition to these conditions, crops had been poor and prices for farm produce were unremunerative. It appeared that the State could provide men for the armies more easily than it could provide the means to equip them for service. Under these circumstances the financial burden of the war threatened to bear heavily upon the people of the State. This burden did not, however, prove to be as onerous as the people feared. The drain of men from the farms, on the other hand, occasioned a very serious loss; between 1861 and 1865 Iowa sent more than 76,000 men into the Union armies.<sup>63</sup> This number comprised more than

<sup>60</sup> *Laws of Iowa*, 1862, Ch. 1.

<sup>61</sup> *Laws of Iowa*, 1862, Ch. 19; *Laws of Iowa*, 1862, Ch. 173, Sec. 1.

<sup>62</sup> *United States Statutes at Large*, Vol. XIII, Ch. 173, Sec. 173, p. 304.

<sup>63</sup> *Report of the Adjutant General of Iowa*, 1866, pp. 457, 469.

one-tenth of the total population of the State and more than one-half of the total number of men of military age in the State.<sup>64</sup>

The actual amount of money expended by the State government for war purposes during the several years of the war was comparatively small. As indicated by the amounts of warrants issued against the war and defense fund the expenditures were as follows:<sup>65</sup>

From May, 1861, to November 4, 1861.....	\$233,568.43
From November 5, 1861, to November 2, 1863, inclusive	639,163.85
From November 3, 1863, to November 4, 1865, inclusive	169,231.00
From November 5, 1865, to November 2, 1867, inclusive	7,084.61
Total.....	\$1,049,047.89

Of this sum \$277,320 was raised by means of loans which were still outstanding at the end of the war; \$365,407.33 constituted the receipts of the Federal direct tax; \$100,000 was received from the Federal government as a refund to the State for expenditures incurred in equipping troops for Federal service; and the sum of \$9058.24 was received from miscellaneous sources. The total amount of money paid into the war and defense fund thus amounted to only \$751,775.57, which was less than the amount of the warrants issued against the fund by \$297,272.32. An amount sufficient to cover this deficit was transferred from the general revenue fund, inasmuch as there was a large surplus of State revenue; and by using this revenue, which was made possible by a law authorizing the transfer, the interest on the war and defense warrants was saved to the State.<sup>66</sup>

It has been noticed that the amount expended by the

<sup>64</sup> *Census of Iowa*, 1865, pp. 156, 157; *Eighth Census of the United States*, 1860, Vol. I, p. xvii.

<sup>65</sup> *Report of the State Auditor*, 1872, p. 61.

<sup>66</sup> Compiled from the State Auditors' reports, 1861-1871; *Laws of Iowa*, 1864, Ch. 61.

State government for war purposes was small — only a little more than one dollar per capita. This was due to several causes. In the first place, the State was unable to borrow money; secondly, since money could not be obtained the expense of preparing the Iowa troops for the field was of necessity, to a large extent, borne by the Federal government; and, thirdly, the State made no provision for the payment of bounties or for the relief of soldiers and their families out of State funds, but authorized the counties and cities of the State to levy taxes for these purposes.

When the General Assembly convened in extra session on May 15, 1861, as has been seen, Governor Kirkwood recommended among other things that provision be made to secure a State loan and for the State support of the dependent families of volunteers.<sup>67</sup> After much wrangling over the question as to whether a State loan would be constitutional or not and many attempts to compromise on the size of the loan that should be authorized, an act was passed "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>68</sup> The law authorized the issue and sale of bonds in an amount not exceeding \$800,000, payable in twenty years, with interest at the rate of seven per cent, payable semi-annually.

The money arising from the sale of these bonds was to be paid into the war and defense fund and be used exclusively in paying expenses incurred in preparing Iowa troops for Federal service "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". The faith of the State

<sup>67</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 261.

<sup>68</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16; *House Journal and Senate Journal* (Extra Session), 1861.

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1861.

was pledged to provide adequate means to pay the interest on the bonds and the principal when it should become due. The bonds and interest were exempted from State taxation.<sup>69</sup>

The act named a board of commissioners whose duty it was to determine the amount of bonds, out of the total amount authorized, that should be sold. Furthermore, the State Treasurer and one agent named in the act were appointed as agents to negotiate the loan. Sales were to be made for specie, payable upon the delivery of the bonds.<sup>70</sup> The law was carefully drawn and all the means necessary for the successful negotiation of the loan seemed to have been provided. Since the State's debt was small and its resources were great, and the interest on its bonds greater than that on the bonds of many of the other northern States, it was thought that there would be no difficulty in finding purchasers for the bonds.

The Board of Bond Commissioners met on June 13, 1861, and authorized the sale of State bonds to the amount of \$400,000. The loan was advertised at home and abroad and all preparations were made to receive bids in New York City.<sup>71</sup> About two weeks before the Iowa bonds were to be placed on sale, however, the financial editor of the *New York Herald* started a campaign to ruin the State's credit and to make the bond sale a failure. In successive articles the financial columns of the *Herald* attacked the Iowa war loan.<sup>72</sup>

It was argued, first, that the law authorizing the loan was unconstitutional and that it was pure fiction on the

<sup>69</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16, Secs. 3, 4.

<sup>70</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16, Secs. 2, 5, 6, 8.

<sup>71</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 474.

<sup>72</sup> See the *New York Daily Herald*, June 24, 29, July 2, 9, 10, 11, August 3, 1861.

part of the State to say the loan was made to enable the people of Iowa to repel invasion or defend themselves in war. In the second place, it was said that all the important towns and counties of the State, with one or two exceptions, had repudiated their honest debts, and that the people of the State had no conception of the meaning of honesty and integrity. These attacks continued up to the day when the bids for the Iowa war loan were to be opened. The result was that the bonds could not be sold except at ruinous figures. Rather than submit to such loss the agents came back to Iowa without having sold the bonds.

Governor Kirkwood at once issued a stirring appeal to the people of the State to buy State bonds, pointing out to them the desperate straits of the State.<sup>73</sup> The appeal was copied widely by the newspapers of the State and a regular campaign was carried on to sell the bonds at home. In spite of the appeals to the people, however, few of the bonds were sold. Some were exchanged for evidences of indebtedness, but little real money was secured. The receipts from the sale of State bonds from the time they were offered for sale in July, 1861, until the close of the fiscal period on November 4, 1861, amounted to only \$81,268, and war and defense warrants had been issued in the amount of \$233,568.43.<sup>74</sup> Efforts were made with some success to exchange State bonds for necessary equipment for the troops and money was derived from other sources. The Federal government paid into the State treasury \$100,000 in United States treasury notes as a refund, the Federal direct tax was being paid by the counties, and collections of general revenue were unusually good.<sup>75</sup>

<sup>73</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 478-482.

<sup>74</sup> *Report of the State Treasurer*, 1861, p. 8; *Report of the State Auditor*, 1861, pp. 14, 15.

<sup>75</sup> *Kirkwood Military Letter Book*, No. 1; *Report of the State Auditor*, 1861, pp. 5-8, 14; *Report of the State Auditor*, 1863, pp. 4-10, 15.



Moreover, the Federal government decided to pay the State troops from the time when they were accepted by the Governor until the day when they were mustered into the service of the Federal government, as well as for the period of their actual service — a decision which decreased the demands upon the war and defense fund.<sup>76</sup> Nor did the State attempt to provide clothing and arms for any of the Iowa troops except the first three regiments. The State Treasurer continued to exchange bonds for State warrants and for war and defense warrants and to sell bonds for cash when occasion offered, but no active campaign for the sale of bonds was carried on after the first year. Up until August 30, 1862, State bonds to the amount of \$300,000 were disposed of, the receipts for which amounted to \$277,320.<sup>77</sup> It appears that the bonds were then withdrawn from sale, for no further sales were made although many inquiries and offers were received by the State Treasurer in regard to them. The strain on the war and defense fund having been removed, conditions rapidly improved so that further sale of bonds became unnecessary.

In the second place, after the first shock of the war, the Federal government succeeded in effecting an organization that could produce results in providing supplies of all kinds needed for the equipment of troops, and the individual States were relieved of this burden, largely because the Federal government could provide for the needs of the new soldiers more efficiently and economically. In Iowa, moreover, after the first three regiments were equipped, arms, clothing, and other necessities needed by the soldiers but not produced by the people of the State could not be obtained without money, and so could not be obtained at all.

<sup>76</sup> *United States Statutes at Large*, Vol. XII, Ch. XVI, p. 274.

<sup>77</sup> *Report of the State Auditor*, November 4, 1861, p. 14, November 2, 1863, pp. 6-10.

Consequently the Federal government supplied the necessary equipment. Nor can it be said that the people of the State were opposed to having this work done by the Federal government. Soon after Congress passed the law of 1861 providing for the refund to the States of expenses incurred by them in support of the Federal government, one of the leading newspapers of the State quoted the act and added:

We presume that in view of the foregoing Act of Congress it will not be necessary for the States in their individuality to incur any further expenses in raising and equipping volunteers, nor will it be necessary nor expedient to negotiate State bonds for war purposes, the Government taking upon itself the whole burden.<sup>78</sup>

It has been noted that most of the war expenditures were incurred during the early part of the war, when the State was compelled, in order to facilitate the military operations of the Federal government, to defray a large portion of the expenses incurred in enlisting, transporting, subsisting, quartering, and paying the volunteer forces organized in the State. During the latter part of the war the cost to the State of organizing four regiments and one battalion of troops did not exceed one thousand dollars. This was largely due to the fact that Governor Stone refused to defray the expenses out of the State treasury and so they were paid by the disbursing officers of the general government.<sup>79</sup>

In the third place, the State provided no bounty for enlistments and no relief for the dependent families of volunteers. In his message to the General Assembly convened in special session in 1861, Governor Kirkwood spoke of the prompt action taken by county boards of supervisors and

<sup>78</sup> *Dubuque Weekly Herald*, August 14, 1861.

<sup>79</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. III, pp. 32, 33.

public spirited citizens in raising means for the support of dependent families of volunteers. He praised the work which had been done, but feared that it would be partial and unequal in its operation. "It is scarcely to be presumed", he said, "that companies will be received from all the counties of the State, or equally from those counties from which they may be received, and it seems to me much more equitable and just that this expense be borne by the State, and the burden thus equally distributed among our people."<sup>80</sup> The General Assembly refused, however, to provide State funds for either bounties or relief. On the other hand, county boards of supervisors were empowered to make appropriations for the support of the dependent families of volunteers in 1861, but no further action was taken at that time.<sup>81</sup>

Counties took it upon themselves to levy taxes for both bounties and relief. In 1862 the General Assembly legalized such action as had been taken by the counties without authority of law, and in addition authorized counties to make levies for these purposes. No limit was set to the amount which counties might levy, but it was specified that the levies so made should be kept apart as separate funds and be used only for the purposes for which the money was raised.<sup>82</sup> Again, in 1864, when it was evident that the dependents of the volunteers from some counties were well provided for, while those of other counties were suffering from want, the General Assembly directed by law that in the years 1864 and 1865 there should be levied in each county in the State not less than two mills on the dollar on all the taxable property in each county. The receipts from

<sup>80</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 261.

<sup>81</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 23.

<sup>82</sup> *Laws of Iowa* (Extra Session), 1862, Ch. 30.

this tax were to constitute a separate fund known as "The Relief Fund", which was to be expended under the direction of the county boards of supervisors for the relief of the dependent families of soldiers and marines in the service of the United States.<sup>83</sup>

The amounts levied by the several counties for bounties and for the relief of the dependent families of soldiers were as follows:<sup>84</sup>

YEAR	FOR BOUNTIES <sup>85</sup>	FOR RELIEF <sup>86</sup>
1861		\$ 3,384.36
1862	\$ 273,046.40	
1863	188,133.07	
1864	291,054.50	604,607.78
1865	186,200.51	487,863.16
1866	135,466.86	26,392.46
	<hr/>	<hr/>
	\$1,083,901.34	\$1,122,247.76

It will be noticed that these sums raised by the counties of the State for the payment of bounties and relief amount to more than twice the total amount raised by the State for its war and defense fund. According to the records of the War Department the total cost of bounties in Iowa during the war was \$1,615,171.20. This sum included the amounts raised by counties, by cities, and by private contributions.<sup>87</sup>

<sup>83</sup> *Laws of Iowa*, 1864, Ch. 89.

Chapter 25 of the *Laws of Iowa*, 1866, authorized county boards of supervisors to transfer the relief fund, when not needed for the relief of the dependent families of soldiers, to any other fund. And, in counties where the relief fund was inadequate to meet the demands upon it, boards of supervisors were authorized to levy a tax of not more than one mill on the taxable property of the county for the years 1866 and 1867.

<sup>84</sup> Compiled from the reports of the several county clerks to the State Auditor in compliance with section 748 of the *Revision of 1860*.

<sup>85</sup> In 1862 and 1863 the levy for relief was in some instances included in the report of bounties.

<sup>86</sup> Johnson County was the only county to report a levy for soldiers' relief in 1861.

<sup>87</sup> *War of the Rebellion: Official Records*, Ser. III, Vol. V, pp. 748, 749.

The sources from which the war and defense fund was derived have been indicated. The purposes for which it could be expended were specified in the act creating the fund: it was to be used for the purchase of arms and the munitions of war; for defraying the expenses incurred in calling out troops or organizing, uniforming, equipping, subsisting, and paying them, and for such other purposes as might become necessary or incident to repelling invasion or defending the State in war.<sup>88</sup> After the first three regiments had been fully equipped for service it became evident that the State could not secure clothing and arms for all the troops and so this equipment was left for the Federal government to supply. The greater part of the expense incurred by the State during the war seems to have been for the transportation and subsistence of the Iowa troops before they were mustered into the service of the United States government. Nothing new or exceptional was done in the administration of the State's war expenses. The State did what was necessary and under the circumstances probably all that was possible. There were charges of extravagance and waste and charges of parsimony and picayunishness, but economy and honesty were apparently the guiding principles in the administration of the war and defense fund.

The State legislature was very economical in its appropriations during the war period and the State tax levy remained the same throughout the war as it had been in 1860 — two mills on the dollar. The rate was raised to two and one-half mills in 1866 in order to provide funds with which to pay the debt contracted in 1858. But collections were better and funds for State purposes were plentiful after the first year of the war. For the eight fiscal years beginning on November 4, 1859, and ending on November 2, 1867, the

<sup>88</sup> *Laws of Iowa* (Extra Session), 1861, Ch. 16, Sec. 3.

total amount of receipts exceeded the total expenditures by a very comfortable margin and the State's finances were on a much better basis at the close of the war than they had been when it commenced.

The following table shows the receipts and expenditures of the State for war and defense and general revenue purposes during the eight fiscal years commencing on November 4, 1859, and ending on November 2, 1867.<sup>89</sup>

TABLE II

## RECEIPTS

	GENERAL REVENUE	WAR AND DEFENSE FUND
For two fiscal years		
ending November 2, 1861,	\$ 578,759.91	\$ 161,268.00
November 2, 1863,	866,816.62	527,352.15
November 4, 1865,	881,808.10	55,264.90
November 2, 1867,	1,068,175.38	7,890.52
Total,	\$3,395,560.01	\$ 751,775.57

## EXPENDITURES

For two fiscal years		
ending November 2, 1861,	\$ 599,825.19	\$ 233,568.43
November 2, 1863,	610,607.82	639,163.85
November 4, 1865,	728,922.16	169,231.00
November 2, 1867,	1,009,356.98	7,084.61
Total,	\$2,948,712.15	\$1,049,047.89

The following table contains a combined statement of the war and defense and general revenue funds for the eight fiscal years commencing on November 4, 1859, and ending on November 2, 1867:

<sup>89</sup> *Report of the State Auditor, 1872, pp. 61, 62.*

By Chapter 68 of the *Laws of Iowa, 1866*, the war and defense fund was merged with the general revenue fund.

TABLE III

BIENNIAL FISCAL PERIOD ENDING	TOTAL RECEIPTS	TOTAL EXPENDITURES	DEFICIT	SURPLUS
November 2, 1861	\$ 740,027.91	\$ 833,393.62	\$93,365.71	
November 2, 1863	1,394,168.77	1,249,771.67		\$144,397.10
November 4, 1865	937,073.00	898,153.16		38,919.84
November 2, 1867	1,076,065.90	1,016,441.59		59,624.31
Totals . . .	\$4,147,335.58	3,997,760.04	\$93,365.71	\$242,941.25
Total amount of Receipts over Expenditures, \$149,575.54				

In regard to the sources from which the general revenue was derived during the war period little need be said. By far the greater part of the revenue was derived from the general property tax of two mills levied for State purposes, collected by the county treasurers, and returned to the State treasury. Little definite information can be presented in regard to the revenue derived from other sources. The reports of the State Auditor and State Treasurer did not, at that time, designate in detail or by class the various sources of revenue received by them, but merely indicated the receipts as the "amount received during the quarter for State revenue". The different sources of State revenue were designated for the first time in the reports for 1867. Other revenue in the general fund came from the tax for the care of the insane collected by the counties, from peddlers' licenses, from the sale of laws, from the interest on delinquent taxes, and from the fees paid to the Secretary of State, the Auditor of State, and the Agent of the State Land Office. After the war and defense fund was merged into the general revenue fund in 1866, the sums of money which were refunded to the State by the Federal government on account of war claims were paid into the general fund.

Table IV has been prepared in order to show as accurately as possible the purposes for which the State revenue was expended during the war period, as well as to show the

TABLE IV<sup>90</sup>

EXPENDITURES BY BIENNIAL PERIODS FOR THE TWELVE FISCAL YEARS FROM NOVEMBER, 1859, TO NOVEMBER, 1871

	1859-1861	1861-1863	1863-1865	1865-1867	1867-1869	1869-1871
The General Assembly.....	\$ 80,245.12	\$ 73,660.59	\$ 68,006.09	\$ 98,265.84	\$ 110,186.34	\$ 134,343.25
State officers, salaries.....	20,890.03	20,140.44	21,256.00	23,708.31	37,894.22	46,449.54
State officers, contingent fund.....	9,358.88	9,699.86	11,923.80	10,778.66	4,302.40	7,954.74
The State Judiciary						
Salary of judges.....	46,656.55	45,336.02	45,851.44	50,621.72	85,058.25	143,944.35
Pay of district attorneys.....	17,867.26	15,343.24	14,761.51	13,600.00	13,950.00	14,098.67
Contingent fund.....	3,514.43	2,651.27	2,940.46	3,418.59	5,145.38	7,928.22
Reports of the Supreme Court.....	9,673.40	3,740.25	7,920.00	13,520.00	12,785.00	14,230.00
Total for State Officers and Judiciary.....	188,405.67	170,571.67	172,659.30	213,913.12	269,321.59	368,948.77
Publishing laws in newspapers.....	2,417.42	1,012.85	1,002.85	26,442.65	47,226.49	65,034.13
Printing.....	14,755.41	23,100.30	26,397.52	24,507.97	23,521.74	24,573.48
Binding.....	9,400.86	11,853.55	17,869.39	29,065.10	17,403.38	17,035.19
Stationery.....	11,741.35	14,486.69	29,232.46	36,274.02	44,273.99	33,956.54
Total for State Printing and Stationery.....	38,315.04	50,453.37	74,502.22	116,289.74	132,425.60	140,599.34
Expenditures for Support of State Institutions <sup>91</sup>						
Salaries at Penitentiary.....	15,076.61	17,044.56	18,789.75	19,531.41	27,519.78	31,613.28
Penitentiary at Ft. Madison.....	55,418.46	15,314.92	19,061.00	14,962.00	3,234.90	1,827.59
State University.....			1,116.10	1,062.00	1,332.00	37,071.55
Agricultural College.....	3,620.92	5,142.78	3,848.44	3,934.32	5,173.33	4,489.00
College for Blind.....	13,825.00	15,500.00	18,910.00	25,604.25	28,096.08	44,824.74
Deaf and Dumb Asylum.....	15,000.00	15,600.00	22,145.00	21,100.00	33,100.66	39,763.74
Hospital for Insane at Mt. Pleasant.....	6,569.30	51,549.48	101,052.51	128,971.75	156,845.55	195,018.11
Reform School.....	5,686.27				5,233.60	23,245.60
Hospital for Insane at Independence.....						22,784.36
Soldiers' Orphans' Home.....				104,360.88	196,736.34	193,380.00
Total Support of State Institutions.....	115,196.56	120,151.74	184,922.80	319,526.61	457,272.24	595,017.97
Public Improvements (Buildings at Institutions)...	95,514.14	39,512.71	85,620.40	163,603.50	354,195.55	644,446.44
Total for State Institutions (including buildings)	210,710.70	159,664.45	270,543.20	483,130.11	811,467.79	1,239,464.41

War and Defense.....	222,508.43	659,132.85	169,221.00	13,094.80	958.70	403.00
Extraordinary Expense Executive Department.....	8,770.63	18,031.25	29,092.12	3,207.35		
Adj. Gen. and Quartermaster Gen. Department.....		8,394.30	17,764.11	17,398.97	17,355.38	8,725.74
Interest on War and Defense Bonds.....		36,577.52	42,188.90	42,157.50	42,000.00	43,025.00
Other Military Expenses <sup>92</sup> .....	1,674.25	16,955.11	18,800.66	904.50		
General Contingent Fund.....	8,365.52	5,204.57	2,504.17			



Soldiers' Orphan Home.....	115,196.56	120,151.74	184,922.80	319,526.61	457,272.24	595,017.97
Total Support of State Institutions.....	95,514.14	39,512.71	85,620.40	163,603.50	354,195.55	644,446.44
Public Improvements (Buildings at Institutions)...	210,710.70	159,664.45	270,543.20	483,130.11	811,467.79	1,339,464.41

War and Defense.....	233,568.43	639,163.85	169,231.00	12,564.80	958.70	493.66
Extraordinary Expense Executive Department....	8,770.63	18,631.25	29,092.12	4,207.35	231.50	
Adj. Gen. and Quartermaster Gen. Department...		8,394.30	17,764.11	17,398.97	17,355.38	8,725.74
Interest on War and Defense Bonds.....		36,577.52	42,188.90	42,157.50	42,000.00	43,025.00
Other Military Expenses <sup>92</sup> .....	1,674.25	16,955.11	18,800.66	904.50		
General Contingent Fund.....	8,365.52	5,894.57	6,504.47	13,056.58	17,123.39	22,282.89
Total War Expenses.....	252,378.83	725,616.60	283,581.26	90,289.70	77,668.97	74,527.29
Interest on the School Fund.....	54,197.17	27,271.87	19,209.57	18,298.20	29,297.18	43,960.06
Interest on bonds of 1858.....		28,280.00	28,140.00	28,172.21	104,358.25	
Interest on warrants.....	6,938.75	13,881.91	1,831.86	110.46		
County Agricultural Societies.....	18,066.78	11,747.85	12,811.00	14,056.45	19,704.50	29,445.00
Geological Survey.....	1,637.75			10,000.00	12,818.71	19,123.26
Swamp Land Selections.....	160.50	3,684.00	3,208.00	7,702.35	7,601.93	463.40
Teachers' Institutes.....	3,400.00	4,850.00	6,250.00	6,650.00	6,550.00	8,600.00
Arrest of Fugitives.....	594.60	358.35	818.00		4,351.92	5,695.36
Mileage to County Treasurers.....	6,326.69	5,976.14	5,133.23	4,574.87	4,452.04	4,527.74
Capital at Des Moines.....	3,022.12	939.19	3,061.37		14,167.00	2,233.00
To the State Bank.....	1,271.60	1,374.00	1,439.00	148.00		
Janitor and Night Watch, State House.....	1,354.75	1,491.50	1,947.00	3,226.00	5,136.00	6,928.00
Banks for remitting revenue.....	885.45	492.59	606.65			
Special appropriations.....	8,907.80	37,756.49	6,096.58	5,500.00	6,300.00	3,550.00
Immigration.....	3,175.00	700.00				5,868.68
Miscellaneous <sup>93</sup> .....	34,210.38	3,483.44	5,177.12	5,455.77	60,772.48	12,606.90
Grand Total of State Expenses.....	\$833,786.66	\$1,248,593.42	\$897,015.42	\$1,007,516.98	\$1,566,394.08	\$1,972,998.21

STATE FINANCES DURING CIVIL WAR

<sup>90</sup> Table IV was adapted from a manuscript table showing the State expenditures in tabular form for the twenty fiscal years 1857 to 1877 — State Archives, Miscellaneous Reports, 1854-1900, Governor's Office.

This table includes only expenditures made from the general revenue and war and defense funds. The totals agree only approximately with those given in the *Reports of the State Treasurer*.

<sup>91</sup> The item entitled "Support of State Institutions" includes expenditures made for the maintenance of the institutions named but does not include the expenditures for buildings and permanent improvements.

<sup>92</sup> The item entitled "Other Military Expenses" includes the expenses of the Adjutant General's office in 1859-1861 amounting to \$400; the expenses incurred in the protection of the northwestern frontier; and the expenses incurred in taking the army vote.

<sup>93</sup> The item entitled "Miscellaneous" includes for 1859-1861 the expenses incurred by the commissioners appointed to examine State offices in 1858; the expenses of taking the census; the expenses of making the abstract of land entries; the expenses of the commissioners to revise the Code; the expenses of publishing the *Revision of 1860* and distributing the laws; and the expenses of the Board of Education.

comparative amounts expended for the different purposes. It is interesting to note that the expenditures for the administrative, legislative, and judicial departments of the State government actually decreased during the war only to increase rapidly at its close. The expenditure for the support and maintenance of the State educational and eleemosynary institutions was maintained, but the building program was suspended. The outlay for public improvements of all kinds was curtailed as a matter of economy. But as soon as the war closed expenditure for buildings and improvements increased very rapidly. The amount expended by the State for the general purposes indicated reached a sum for the fiscal period ending November 1, 1869, greater by three hundred thousand dollars than the largest amount spent in any fiscal period during the war.

#### STATE AND LOCAL TAXATION

There is usually a tendency, if taxes are high, for the people to blame the State government, whereas excessive taxation is more frequently due to tax levies by counties and municipalities than to levies made by the State. Local extravagance was widely prevalent in Iowa during the early years of its history. And during the years just preceding the Civil War constant complaints were made against excessive taxation. Extravagant expenditures were made and burdensome debts were contracted by the cities and counties of the State for the purpose of aiding railroads. The need for transportation facilities was great. Railroad companies gladly exchanged their stocks for county or city bonds or secured a grant of aid as a free gift. Excessive taxes were thus levied to pay these bonds, and it was natural that complaints of exorbitant taxation should be heard. In 1856 Governor Grimes recommended that a limit be placed upon the amount of debt that could be con-

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tracted by a municipality. His reason for making this suggestion was that many of the counties and cities of the State had adopted the very doubtful policy of creating municipal debts for the purpose of becoming stockholders in railroads and other private corporations. In fact, the municipal indebtedness already voted by the different cities and counties was in excess of seven millions of dollars.<sup>94</sup>

In 1861 the maximum levies that could be made upon the taxable property in the State were: for State purposes two and one-half mills on the dollar; for general county purposes, four mills and a poll tax of fifty cents; for school purposes, two mills; for the bridge fund, one mill; and for township road purposes, three mills.<sup>95</sup>

Counties and cities were expressly prohibited by law from levying taxes to aid in the construction of privately controlled works of internal improvements, and their previous levies and loans for the benefit of railroad companies were held by the courts to be unconstitutional.<sup>96</sup> Counties and cities were at a later date permitted to vote aid to railroad companies, but were not allowed to become stockholders in such companies. In 1861, according to the newspapers of that day, Davenport had a municipal debt of \$386,961, which the *Davenport Gazette* claimed was not one-third the debt of Dubuque or Keokuk. The indebtedness of Muscatine was said to be \$85.63 greater than the city's total assets. Davenport claimed, however, that it always paid the interest on its debt promptly.<sup>97</sup> All the indications are that the

<sup>94</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, pp. 37, 38.

<sup>95</sup> *Revision of 1860*, Secs. 710, 743, 891; *Laws of Iowa* (Extra Session), 1861, Ch. 24.

<sup>96</sup> *Revision of 1860*, Secs. 1345, 1346; *Stokes v. The County of Scott*, 10 Iowa 166; *State of Iowa, ex rel. The Burlington and Missouri River Railroad Company, v. The County of Wapello*, 13 Iowa 388.

<sup>97</sup> *Iowa State Register* (Des Moines), April 3, 1861.

local units of the State were inclined to be extravagant in their local tax levies at the time when the war broke out.

TABLE V<sup>98</sup>

YEAR	NUMBER OF COUNTIES REPORTING	TOTAL VALUATION	STATE TAX	COUNTY AND TOWNSHIP TAX	TOTAL TAXES	RATIO OF STATE TAX TO LOCAL TAX
1861	95	\$187,967,074.35	\$395,538.29	\$1,665,614.56	\$2,061,152.85	1 to 4.50
1862	95	172,984,150.32	355,112.87	1,907,233.48	2,262,346.35	1 to 5.65
1863	98	168,691,063.82	335,310.80	1,980,668.81	2,315,979.61	1 to 6.60
1864	97	177,388,707.17	356,728.04	3,022,712.56	3,379,440.60	1 to 9.00
1865	97	216,558,593.68	445,076.28	3,783,452.35	4,228,528.63	1 to 9.00
1866	94	215,913,606.23	539,766.64	3,824,239.01	4,364,005.65	1 to 7.00

Governor Kirkwood referred to the relation between local and State taxation in his message of January 15, 1862, and presented a table showing the whole amount of taxes collected for all purposes in 1861. The table showed that out of every \$5.66 paid by the people of the State as taxes only one dollar was paid for State purposes; while the remaining \$4.66 was retained in the counties and used for county and other purposes. The Governor regarded this table to be significant, because the people believed that the great bulk of the tax burden was caused by expenditures of the State government under appropriations made by the General Assembly. Thus they had been taught to look to a reduction of State expenses as a means of relief from taxation. "I would not", said Governor Kirkwood, "desire our people to relax their vigilant supervision of State expenses, but I am of opinion this information may lead them to give

<sup>98</sup> Table V was compiled from the reports of the county clerks to the State Auditor in compliance with section 748 of the *Revision of 1860*. The amounts given in this table do not in all cases agree with the amounts given in other tables for the same items. This discrepancy can be accounted for in that the valuations given here are those returned before the Census Board had made the equalization among the several counties. Moreover, the reports of a few of the counties were missing.

as vigilant supervision to the expenditures of their respective Counties, where vigilance is, in my judgment, equally needed."<sup>99</sup> A select committee was appointed in the House of Representatives in 1862 to investigate the assertions made both within and without the State that exorbitant taxation existed in some of the counties. This committee was not given power to secure information, however, and appears never to have reported back to the House.<sup>100</sup>

TABLE VI<sup>101</sup>

	1863	1865	1915
Population .....	702,162	756,209	2,358,066
Acres of land assessed.....	28,336,345	28,041,051	34,507,866
Assessed actual value of land	\$111,653,109.00	\$140,061,205.00	\$2,347,124,865.00
Assessed actual value per acre .....	3.93	4.99	68.01
Total valuation of all property .....	168,691,064.00	215,063,401.00	4,134,542,350.00
Per capita valuation.....	240.24	284.40	1753.00
Total ordinary State receipts from taxes .....	334,217.90	440,904.05	6,706,484.43*
Total taxes — State, county, and local .....	2,315,979.61	4,228,528.63	50,676,033.25
Tax per capita.....	3.30	5.59	21.49
Per cent of total value paid in taxes .....	.01373	.01966	.01225

\*From taxes, \$2,728,631.66; from other sources, \$3,977,852.77

In order to present a comparison of the taxes levied for State and local purposes a table [Table V] has been prepared. It presents as complete a statement as possible of the amounts raised by taxation for all purposes in the State during the several years of the war. The table is not complete, since some of the counties failed to make reports.

<sup>99</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. II, p. 269.

<sup>100</sup> *House Journal*, 1862, pp. 266, 297.

<sup>101</sup> Table VI is inserted to present a basis for comparison between the taxing situation at the time of the Civil War and the present. The arbitrariness in valuation makes it unreliable, however, as an exact indication of real conditions. The data was compiled from reports of the State Auditor.

Furthermore, the road taxes collected in the townships, together with the taxes collected in some cities and towns were not, in all cases, reported to the county treasurers, but the table may be taken as approximately correct. Before 1860 the counties were not required to report the amounts of their local tax levies to the State Auditor, but section 648 of the *Revision of 1860* required such a report to be made. The table shows the total valuation of all property; the amount of the State tax; the amount of county and township taxes; and the total amount of taxes levied. The proportion of the State tax varies from almost twenty per cent of the total tax levied in 1861 to approximately ten per cent in 1864 and 1865.

The following excerpt from the report of the finance committee of the Johnson County Board of Supervisors at its September session, 1864, is illuminating in comparing State and local tax levies during the war. The committee on finance recommended the following levy for 1864:<sup>102</sup>

For county purposes, four mills on the dollar; for State purposes, two mills; for schools, one mill; for relief, five mills; for bridges, one and three-fourths mills. Bounty for the respective townships as follows:

Iowa City	6	mills	Big Grove	6	mills
Newport	3	"	Fremont	5	"
Washington	7	"	Scott	4	"
Graham	6	"	Monroe	5 $\frac{1}{4}$	"
Pleasant Valley	1	"	Penn	4 $\frac{1}{2}$	"
Cedar	4 $\frac{1}{2}$	"	Sharon	6 $\frac{1}{2}$	"
Clear Creek	5 $\frac{1}{2}$	"	Madison	4	"
Jefferson	6	"	Union	3 $\frac{1}{2}$	"
Liberty	7	"	Oxford	3 $\frac{1}{4}$	"
Hardin	4 $\frac{1}{2}$	"			

And for school purposes the committee recommended that the amounts voted by the respective townships be levied. A poll tax of fifty cents was also recommended.

<sup>102</sup> *Iowa City Republican*, September 14, 1864.

In summary it may be said that the financial administration of the State during the period of the Civil War was fairly efficient. Strict economy was practised and the amounts of money received and expended by the State were comparatively small. The failure of the bond issue embarrassed the administration and for a short time retarded the State in preparing troops for Federal service. The Federal government, however, assumed the expense of paying, clothing, arming, and equipping the troops, and the relief thus afforded, in addition to the surplus from the general revenue enabled the State to meet all the legitimate demands made upon it for money. Nothing new in the way of methods was developed. Under the pressure of the times more efficient service was rendered by State and county officers, and the tax collections were much better than during the period immediately preceding the war. The local units of government continued to raise and expend in the aggregate, on their own account, a much larger amount of money than was raised and expended by the State.

#### AID GIVEN TO THE STATE BY BANKS AND INDIVIDUALS

Some mention should be made in this connection of the part played by the banks and individuals in aiding the State to meet its financial problems. When the call came to furnish troops for the service of the Federal government there was no money available to provide for the extraordinary expense that must be incurred. The General Assembly was not in session and the Governor had no power to raise or spend money. In this crisis the branches of the State Bank of Iowa and patriotic individuals were quick to offer financial aid to the Governor. The directors of several of the branches of the State Bank passed resolutions directing their cashiers either to advance money to the Governor or to honor drafts drawn upon them for State ex-

pense.<sup>103</sup> These proffers of assistance were appreciated and made use of. The banks were drawn upon for funds with which to equip and subsist the first regiments raised by the State. When the banks were hard pressed for money because of these loans the State could not always make payments in specie, and State bonds and State warrants were often issued in payment, to the disadvantage of the banks.<sup>104</sup>

It would not be desirable in this connection to follow out in detail the various services which the branch banks rendered to the State. Their great service of course consisted in the providing of funds during the early months of the war when money had to be secured and the State was having great difficulty in getting it.

Individuals rendered service of equal value. Hiram Price of Davenport, Ezekiel Clark of Iowa City, Samuel F. Miller of Keokuk, Samuel Merrill, Governor Kirkwood, and others advanced cash to the State for military purposes and were forced to take depreciated State warrants in repayment, with consequent loss to themselves. Some of these men became personally responsible for more than their properties were worth and were frequently threatened with ruin.<sup>105</sup> Sturges and Jay, bankers of Chicago, tendered Governor Kirkwood the offer of a loan of \$100,000 to aid in preparing the troops of the State for service pending the sale of State bonds, but for various reasons the Governor did not feel justified in accepting the offer.<sup>106</sup>

<sup>103</sup> *Kirkwood Military Letter Book*, No. 1, pp. 2, 36; *The Mt. Pleasant Home Journal*, April 27, 1861; *Dubuque Herald*, April 19, 1861; *Burlington Daily Hawkeye*, April 18, 1861; *State Press* (Iowa City), April 24, 1861.

<sup>104</sup> *Kirkwood Military Letter Book*, No. 1, pp. 60, 61, 197, 198, 205, 206, 242, 259, 283; No. 2, p. 89.

<sup>105</sup> *Kirkwood Military Letter Book*, No. 1, pp. 271, 272, 341; No. 2, p. 87; *Annals of Iowa* (Third Series), Vol. I, pp. 595, 596.

<sup>106</sup> *Kirkwood Military Letter Book*, No. 1, p. 264.



## IOWA'S WAR CLAIM AGAINST THE FEDERAL GOVERNMENT

The following act of Congress was approved on July 27, 1861:

*Be it enacted . . . .* that the Secretary of the Treasury be, and he is hereby, directed, out of any money in the Treasury not otherwise appropriated, to pay to the Governor of any State, or to his duly authorized agents, the costs, charges, and expenses properly incurred by such State for enrolling, subsisting, clothing, supplying, arming, equipping, paying, and transporting its troops employed in aiding to suppress the present insurrection against the United States, to be settled upon proper vouchers to be filed and passed upon by the proper accounting officers of the Treasury.<sup>107</sup>

Under this law the Governor was able to secure an advance of \$80,000 before any claims had been filed by the State, and an additional \$20,000 was advanced early in 1862 before any claims had been examined. These advances were made because of the great need on the part of the State.<sup>108</sup>

The Governor was at first authorized to settle the State's claim against the Federal government; and claims to the amount of \$647,563.78 were filed during the war.<sup>109</sup> In 1866 an agent was appointed to prosecute the State's claims. The history of these claims is a long one and does not need to be related in this connection. Altogether the State filed claims amounting to about two million dollars and received more than one and a half million dollars in settlement. The last payment was received by the State Treasurer on July 7, 1902.<sup>110</sup>

<sup>107</sup> *United States Statutes at Large*, Vol. XII, Ch. 21, p. 276.

<sup>108</sup> *Report of the State Treasurer*, 1861, p. 8; *Report of the State Auditor*, 1861, p. 14; *Report of the State Auditor*, 1863, p. 7.

<sup>109</sup> *Laws of Iowa*, 1864, Ch. 61; letter from the United States Treasury Department in the Governor's Documents, II, 655, *War Claims*, in the State Archives, Des Moines.

<sup>110</sup> *Laws of Iowa*, 1866, Ch. 95; *Report of the State Treasurer*, 1903, p. 133; letter from the United States Treasury Department in the Governor's Documents, II, 655, *War Claims*, in the State Archives, Des Moines.

## PAYMENT OF THE STATE WAR DEBT

At the beginning of the war the State had a debt of \$322,295.75. Of this amount \$200,000 had been borrowed in 1858 on ten-year, eight per cent, State bonds; and \$122,295.75 had been borrowed from the permanent school fund.<sup>111</sup>

The expense incurred by the State government on account of the war amounted to \$1,049,047.89. The total debt contracted by the State government on account of the war, on the other hand, was at its close represented by outstanding war bonds to the amount of \$300,000, for which the State had received \$277,320 — an average of a little more than ninety-two cents on the dollar.<sup>112</sup>

The difference between the amount of expense incurred and the amount of debt outstanding at the close of the war had been paid during the war from the following sources: in round numbers the Federal direct tax amounted to \$365,000; the Federal government forwarded \$100,000 to the State in settlement of claims; and the sum of \$300,000 was transferred from the general revenue fund of the State to pay war expenses. This left the State with a war debt of only \$300,000, the interest upon which, at seven per cent, amounted to \$21,000 annually.<sup>113</sup>

The General Assembly made provision in 1866 for the redemption of the bonds issued in 1858 by authorizing the Census Board to sell the United States bonds in which a portion of the permanent school fund had been invested, and which were in the hands of the State Treasurer. The board was directed to issue to the permanent school fund a registered State bond bearing eight per cent interest in an

<sup>111</sup> *Report of the State Auditor, 1859*, pp. 9, 10; *Report of the State Auditor, 1914*, p. 388.

<sup>112</sup> *Report of the State Auditor, 1865*, pp. 5, 16.

<sup>113</sup> *Report of the State Auditor, 1865*, p. 5; 1871, p. 7.

amount equal to that received for the United States bonds sold. It was, moreover, authorized to increase the rate of the State tax within the limit already fixed by law. Bonds were sold and the State tax levy was increased from two to two and one-half mills. This provided adequate funds for the redemption of the \$200,000 loan of 1858 due January 1, 1868, and the bonds were redeemed as they were presented.<sup>114</sup>

The State's finances were in a healthy condition at the close of the war. In 1868 Governor Stone recommended that a portion, large enough to pay the war bonds of 1861, be appropriated from the proceeds derived from the State's claims against the general government and set aside at interest in order to save to the State the interest on the bonds and to provide a redemption fund from which the bonds could be paid when they fell due.<sup>115</sup> Two years later Governor Merrill asked that the State Treasurer be authorized to use the surplus funds in the State treasury for the purchase and retirement of the war bonds whenever they could be secured at par. The State Treasurer made a similar request and especially urged that provision be made to retire \$25,000 of the bonds annually, which process would liquidate the whole debt at the time when the bonds were due.<sup>116</sup> Governor Merrill later recommended that the railroad taxes be utilized for the redemption of the State war bonds, but no legislative action resulted from any of these recommendations.<sup>117</sup> Provision was regularly made for the

<sup>114</sup> *Laws of Iowa*, 1866, Ch. 80; *Report of the State Treasurer*, 1867, p. 7; *Report of the State Treasurer*, 1869, p. 8.

<sup>115</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. III, p. 94.

<sup>116</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. III, p. 264; *Report of the State Treasurer*, 1869, p. 8.

<sup>117</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. III, p. 336.

payment of the interest and the bonds were allowed to mature.

In 1880 Governor Gear reminded the General Assembly that the war loan would mature in 1881 and the legislature authorized the Executive Council to levy a special war and defense bond tax in 1880. In case the proceeds from this tax were not sufficient, the remainder was to be made up from the general revenue. Moreover, in order to assure enough funds the Executive Council was authorized to negotiate a loan on State warrants sufficient to meet the need.<sup>118</sup> A tax of one-half mill was levied which provided, before July 1, 1881, the sum of \$162,662.73, and the Executive Council borrowed \$125,000 on State warrants at four per cent. In addition to these sums, \$9837.27 was transferred from the general revenue — making a total of \$297,500, with which the war and defense bonds, with the exception of bonds amounting to \$2500 which were not at once presented, were paid. Within a short time the \$125,000 in State warrants and the remaining bonds were paid, and in his report for 1883 the State Auditor congratulated the people of Iowa upon the fact that the war debt was paid. He declared that the State's finances were in a sound and prosperous condition and that the executive business of the State was wisely and economically administered.<sup>119</sup>

<sup>118</sup> Shambaugh's *Messages and Proclamations of the Governors of Iowa*, Vol. V, p. 26; *Laws of Iowa*, 1880, Ch. 199.

<sup>119</sup> *Report of the State Auditor*, 1881, pp. 3, 4; *Report of the State Auditor*, 1883, p. 46.

Iowa came out of the war with a war debt of only \$300,000 while several of the other States were heavily burdened. An Iowa newspaper in speaking of the debt gives Governor Kirkwood credit for having enforced an economical administration and compares Iowa's war debt with that of other States. "Little New Hampshire, with not half our resources, has a loan of near \$4,000,000 to carry. It will weigh like a mountain upon her, and that, with our freedom from debt, will be a powerful stimulus to send her young men to Iowa. So of nearly all of the eastern States. The future of Iowa is bright with promise." — *Iowa City Republican*, June 28, 1865.

SHOW

YEAR

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1861

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1866

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1868

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TABLE VII<sup>120</sup>

SHOWING THE INDEBTEDNESS OF THE STATE OF IOWA ON JANUARY 1ST  
OF EACH YEAR FROM 1860 TO 1870 INCLUSIVE AND  
FROM 1880 TO 1883 INCLUSIVE

YEAR	BONDED DEBT	INT. RATE	TOTAL BONDED DEBT	FLOATING DEBT	TOTAL DEBT	TREASURY CASH BALANCE	NET DEBT
1859	\$122,295.75 200,000.00	10 7	\$322,295.75	\$106,608.49	\$428,904.24	\$17,483.66	\$411,420.58
1860	122,295.75 200,000.00	10 7	322,295.75	27,831.40	350,127.15	10,516.37	339,610.78
1861	122,295.75 500,000.00	10 7	622,295.75	146,031.40	768,337.15	37,924.22	730,412.93
1862	122,295.75 500,000.00	10 7	622,295.75	86,734.52	719,030.27	39,456.59	679,573.68
1863	122,295.75 500,000.00	10 7	622,295.75	74,729.23	697,024.98	40,086.88	656,938.10
1864	122,295.75 500,000.00	10 7	622,295.75	24,766.14	647,061.89	183,751.24	463,310.65
1865	122,295.75 500,000.00	8 7	622,295.75	33,975.88	656,271.63	253,450.95	402,820.68
1866	122,295.75 500,000.00	8 7	622,295.75	5,668.88	627,964.63	336,979.65	290,984.98
1867	122,295.75 500,000.00	8 7	622,295.75	39,768.83	622,064.58	6,494.29	655,570.29
1868	234,498.01 300,000.00	8 7	534,498.01	21,102.64	555,900.65	108,486.02	447,414.66
1869	234,498.01 300,000.00	8 7	534,498.01	27,866.76	562,364.77	27,830.23	534,534.54
1870	234,498.01 300,000.00	8 7	534,498.01	33,312.40	567,810.41	298,494.95	268,375.46
1880	234,498.01 300,000.00	8 7	534,498.01	113,974.16	648,472.17	3,884.43	644,587.74
1881	234,498.01 2,500.00 125,000.00	8 7 4	361,998.01	158,956.54	520,954.55		520,954.55
1882	234,498.01 100,000.00	8 4	334,498.01	25,283.56	359,781.57	26,883.56	332,898.01
1883	234,498.01	8	234,498.01	215,543.97	450,041.98	15,915.87	434,090.11

<sup>120</sup> Report of the State Auditor, 1914, pp. 388, 389.

In Table VII, the bonded debt includes in 1860 the sum of \$122,295.75,

## CONDITIONS IN THE STATE AT THE CLOSE OF THE WAR

When the war ended Iowa was richer, more prosperous and more powerful than when the war began. The population had increased slowly but steadily, crops had been good, and prices were high throughout the war period. Farms had been drained of men for the armies, but labor-saving machinery replaced them and production increased instead of diminishing. There was general prosperity in the State during the war and the foundations for many comfortable fortunes were laid. During the latter part of the war there was much extravagance and waste. Newspapers admonished the people to economize, and especially were those owing debts advised to pay them while money was cheap and plentiful. At the same time there was much saving and investment of a substantial character on the part of the people. After 1862 there were many calls for State bonds from the citizens of the State, but the receipts from ordinary revenue made the sale of more bonds unnecessary. United States bonds were bought instead. The First National Bank of Iowa City alone sold more than half a million dollars worth of United States seven-thirties during the first six months of 1865.<sup>121</sup> The banks were prosperous and business in general was good.<sup>122</sup>

With the close of the war came a reaction, prices dropped suddenly, and business had to be carefully nursed back into a normal condition.

which represents the amount the State had borrowed from its own permanent school fund. In 1868 this sum is increased to \$234,498.01, at which amount it remains throughout the years for which the table gives the data. This was not a debt in reality except in the sense that the State had borrowed that amount from itself and was liable for the interest payments. The principal would, however, never have to be paid. The table also indicates that the floating indebtedness during the war was comparatively small.

<sup>121</sup> *Iowa City Republican*, February 15, March 15, June 14, 1865.

<sup>122</sup> *Iowa City Republican*, November 23, 1864. The Iowa City Branch of the State Bank, on November 4th, declared a semi-annual dividend of ten per cent, *free of tax*, to its stockholders.

From the financial standpoint, however, the State was in a very good condition at the close of the war. The storm of 1861 had been weathered with difficulty, but during the remaining years of the war there was practically no difficulty. The State tax levy remained the same throughout the period, but the valuation of property increased in spite of the war. Moreover, strict economies were practised by the State and the pressure of the war brought about a really efficient administration of the State's finances. At the close of the war the State found itself with unimpaired resources, an increasing population, and a war debt of only \$300,000. Thus the State of Iowa did its part in supplying men and money for the prosecution of the war and at its close found itself in better condition than ever before.

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