

THIS WAS THE CIVIL WAR

North in Financial Troubles

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UPI Correspondent

Northern armies seemed to be losing the Civil War in the early summer of 1862; the financial structure of the country was quivering — but the nation flexed its muscles and demanded expansion, war or no war.

The finest Federal force so far — the Army of the Potomac — was fended in on the James river in Virginia, bitten by mosquitoes and wracked by malaria.

Another Federal army of bits and pieces was being organized by Maj. Gen. John Pope in northern Virginia. (President Lincoln had high hopes for this new army.)

The big army in the West was broken up into garrisons and middle sized forces. When it moved, if it moved at all, it was with the alacrity of a sick snail.

National finances were in a mess when the second session of the 37th Congress met in the winter. To pay its bills the Treasury needed \$350 mil-

lion by July 1, 1862, a staggering sum for that day. No such sum was in sight, either in taxes or from the sale of U.S. bonds. Late in 1861 banks had suspended specie payments; that is, you could not get silver or gold for current paper money. The treasury had to have a dependable currency to pay its soldiers and war contractors and to keep business alive so it could pour in battle supplies.

Issue of Greenbacks

The answer seemed to be an issue of greenbacks which would be legal tender for payment of debts. In other words "turn on the printing press." The issue split Congress into "hard money" and "legal tender" camps instead of Republicans and Democrats.

Secretary of Treasury Salmon P. Chase, normally a hard money man, reluctantly swung over to the legal tender side. By spring a \$150 million issue was authorized by Congress.

But the Congress also set up two balances which in part offset the inflationary aspect of the printing press currency.

A system of national banks was authorized with provisions for currency based on treasury bonds.

A stiff system of taxes also was voted, including implementation of the nation's first income tax which originally had been authorized in 1861.

Annual incomes from \$600 to \$10,000 were taxed 3 per cent and incomes above \$10,000, 5 per cent — later raised to 10 per cent.

Liquor, beer and tobacco taxes also were raised. Luxury goods, such as carriages, yachts, billiard tables and confectionery, were taxed for the first time. Many manufacturers paid a 3 per cent tax. It cost 30 cents in taxes to butcher a cow and a dime to dress a hog. Businesses paid a franchise tax. Every contract, bank check and legal form had to carry a tax stamp before it was valid. The tax law was thorough and it took more than 20,000 words of schedules to spell it out.

Taxes Yielded Well
While these excise taxes — the first in the nation since 1821 — hit the North in the pocketbook, they yielded well and in a large measure paid

the war bills. (In the last year of the war the excises poured \$311 million into the Treasury.)

However dreary the financial picture, the country was in no mood to hide in its shell and postpone expansion simply because there was a war going on.

With the Southerners out of Congress, advocates of a homestead bill moved to achieve their long-sought goal of free land for anybody who cared enough to work for it.

Southern congressmen had successfully fought a homestead act because it would have meant opening western lands, most of which was not suitable for slaves to work. That would have meant eventually more free states and an end to southern domination of Congress.

Homestead Act
Now a homestead act was hustled through Congress with hardly any opposition. The act provided that any citizen or anyone who declared he wished to be a citizen — whether man or woman over 21 — could, by paying \$10 and small legal fees, pre-empt 160 acres of land from the 2 billion acres the government owned. By living on the land and working it for five years he could perfect his title.

Lincoln signed the bill into law on May 2, 1862, and the magic words, "free land," began to ferment even in distant lands. Those words would fill the West in 30 years despite the fact that much of the free land hardly was worth the taking.

But "free land" was not enough. The country must be connected by the steel bands of a transcontinental railroad. Late in '61 copper strands had linked the West Coast to the East by telegraph. Now it must be paralleled by a railroad.

There had been much discussion of a transcontinental railroad for many years. But this expansion, too, had been blocked by Southern congressmen indirectly. They insisted the railroad must run along the southern border of the states. Jefferson Davis — then secretary of war, now president of the Confederacy — had engineered the Gadsden purchase from Mexico to provide part of the right-of-way.

Northerners were equally insistent that the road must go west from Chicago or St. Louis. (Both were linked to the East by trunk lines.) Neither side could carry the day and there the situation stood at war time.

Railroad Bill
After considerable debate Congress passed the Pacific Railroad bill and Lincoln signed it on July 1, 1862. The Union Pacific was authorized to build west from Omaha, Neb., and the Central Pacific to build east from San Francisco to the California-Nevada line. The government gave each road a 400-foot right of way and five alternate sections (640 acres each) of land on each side of the road as it was built. The government also agreed to lend the roads \$16,000 in U.S. bonds for each mile built on the plains, \$32,000 per mile in hilly land and \$48,000 in mountains.

The roads were to be finished by 1876 or be forfeited to the government. (Actually they were completed in 1868.)

Money for Colleges
The Central Pacific started building in 1862 and the Union Pacific in 1864.

The day after he approved the railroad bill, Lincoln signed the Morrill act which provided means whereby what are known now as Land Grant colleges could be set up.

States were empowered to



Business Expansion in the North... '62

GREENBACKS ISSUED
\$750 MILLION

NATIONAL BANKS
ENTIRE SYSTEM AUTHORIZED

TAXES INCREASED
\$311 MILLION

FREE LAND
HOMESTEAD ACT PASSED

RAILROADS
UNION PACIFIC AUTHORIZED

LAND COLLEGES
PUBLIC LAND AVAILABLE

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NORTH DEMANDS EXPANSION—In the summer of 1862, the Northern armies seemed to be losing the Civil War and the financial structure of the nation was quivering, but the country demanded expansion—war or no war. On the military side, a new Federal army of bits and pieces was being formed under Maj. John Pope, left, in northern Virginia. On the financial side, President Lincoln, center, and his Secretary of the Treasury, Salmon P. Chase, right, were backing certain measures designed to

strengthen and expand the economy and to block further inflation. Some of these measures included the issuance of greenbacks, authorization of a National Bank system, an increase in taxes, thousands of acres of land being made available under the Homestead Act, authorization of a railroad to the west coast and the turning over of public land to the states for building and support of colleges. This chart, drawn especially for the series, shows the measures and the men behind them. (UPI)

select 30,000 acres of public land for each senator and representative and to use the money from sale of the land for colleges. The program was slow getting under way but eventually it resulted in a solid contribution to education. Many who voted for the Morrill act living to see land grant schools become great institutions of learning.

Agriculture also won a place in national government in this expansion era. In May Congress voted to establish a Department of Agriculture which was charged with providing farmers with information, seeds and plants. Isaac Newton, a Pennsylvania farmer and a Patent Office clerk, was named to head the new department at a salary of \$3,000 a year.

Burma Cracks Down On Rioting Students
Rangoon, Burma.—(UPI)—The government cracked down on disgruntled university students today following week end rioting which left at least 16 persons dead and more than 60 injured.

The ruling Revolutionary Council enforced stricter disciplinary measures and stationed police and troops around the Rangoon university campus to thwart further trouble.

The casualties occurred Saturday night when troops fired on thousands of students who rioted in protest against steps taken by the Revolutionary Council to impose discipline in the universities. Ten students were arrested.

APPRECIATE MUSIC
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Census Reveals Reason for News Shareholder

New York.—(UPI)—A comparison of the figures in the New York Stock Exchange's recent stockholder census and earlier reports on the extent of the shareholder population in other countries help show why stock market actions are more often front page news in the United States than elsewhere.

While the dip in the market during May attracted attention overseas, and brought sympathetic reactions in stock markets abroad, similar occurrences in foreign securities markets would be felt personally by far smaller shares of the population, the figures indicate.

The NYSE census put the number of stockholders in this country at 17,010,000 in 1962, a rise from more than 4.5 million from the estimated 12.5 million of 1959. This represents nearly one of every six adult Americans.

A recent exchange study on individual shareown ers h i p

around the world showed that there has been growth elsewhere. It has not been as widespread as that in the United States, reflecting in many nations that economies faced a rebuilding process in the postwar years, and that private enterprise faced handicaps not found here.

Not all of the figures for other nations were as up to date as those in the shareholders' census for the United States, and for many nations no information on the total number of stockholders was available.

In the United Kingdom (population about 50 million), a May, 1960 Gallup poll put the number of share holders at an estimated 3.1 million, a figure double that for the number immediately after World War II. On the basis of shares traded, the London Stock Exchange is the largest in the world, the NYSE noted, and in recent years has pushed a program to attract broader ownership.

DISLIKES COLOR
Poole, England.—(UPI)—Health worker Winifred Bennett has resigned rather than accept a town council ruling that she wear the official brown uniform. "That color doesn't do anything for me," she said.

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