

1861 * 1865

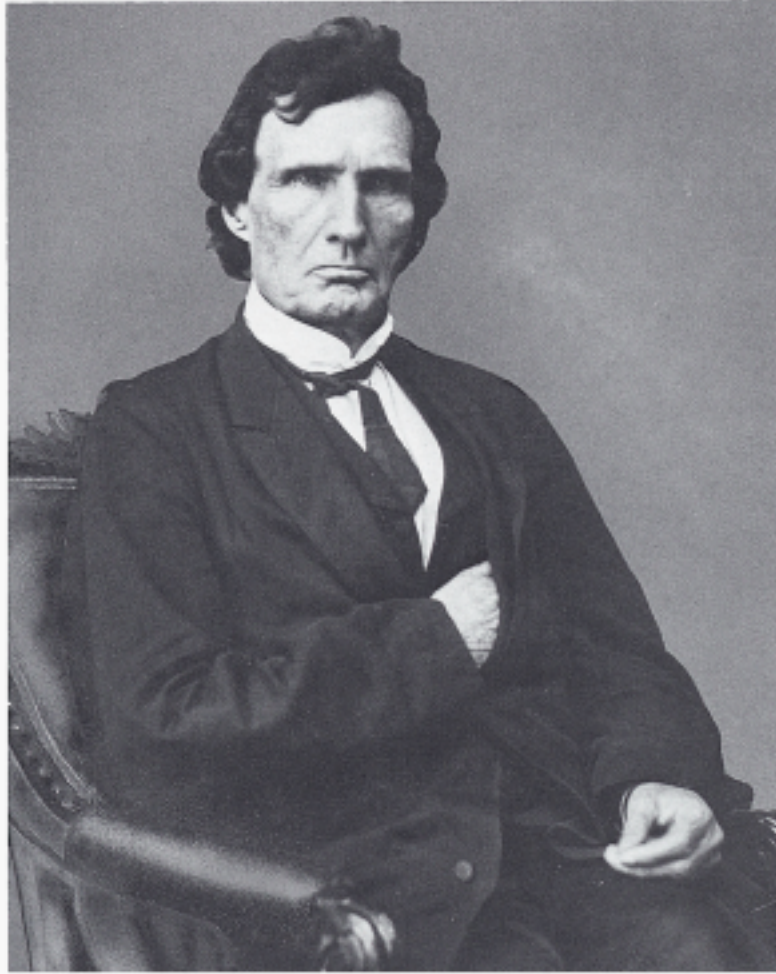
Financing the Civil War

The Civil War marked a pivotal period in the history of the Committee of Ways and Means: With the end of the war, the overburdened committee's jurisdiction over appropriations and banking also came to an end. The chairman during this period, Republican Thaddeus Stevens of Pennsylvania, was the dominant leader in the House. He delegated authority within the committee to subcommittees on revenue and on banking and currency, while the chairman retained personal control over appropriations matters. The committee originated most of the important tax, appropriations, and currency bills in the two war Congresses. In the process, the committee reported legislation that raised the protective tariff to its highest levels ever to that time, that instituted the first federal income tax, and that authorized the first national paper currency. The workload was so oppressive, however, that Congress split the committee along jurisdictional lines in 1865, when the House rules were revised to create separate committees on appropriations and on banking and currency.

"And yet, sir, powerful as the committee is constituted, even their powers of endurance, physical and mental, are not adequate to the great duty which has been imposed by the emergencies of this historic time." (Samuel S. Cox, 1865)¹

The circumstances under which the Committee of Ways and Means operated during the Thirty-seventh and Thirty-eighth Congresses (1861–1865) were quite different from those existing in the 1850s, when sectional tensions had impeded the legislative process. All business, from the election of the Speaker of the House to the passage of minor appropriations bills, had been bogged down at various times by seemingly endless quarrels between various congressional factions. After the departure of congressmen from the seceded states during the winter and spring of 1860–61, the Republican Party was left with a substantial working majority in Congress. In legislative terms it proved to be a liberating change. Faced with a grave national emergency, the Republican Congress was forced to act quickly. It functioned remarkably well during the early stages of the war. As Congressman James G. Blaine remarked of the opening months of the Thirty-seventh Congress, "In no other session of Congress was so much accomplished in so little time."²

The Committee of Ways and Means was fortunate to have an able and forceful chairman during the Civil War. Thaddeus Stevens (R-PA) exercised control over the House as leader of the majority party, and he delegated authority within the committee to his colleagues, particu-



A stern chairman with an acid wit, Thaddeus Stevens of Pennsylvania kept firm control of federal purse strings. His fiscal duties and his parliamentary prowess made him the most important congressman in the House of Representatives during the Civil War. His forceful leadership, which encouraged the use of tax and banking subcommittees during the conflict, greatly increased the productivity of Ways and Means. Stevens supported stronger antislavery policies than those of Lincoln and advocated harsh conditions for the defeated South, a sharp departure from the President's conciliatory approach to Reconstruction. After the Civil War, Stevens headed the Joint Committee on Reconstruction and led the impeachment proceedings against President Andrew Johnson.

larly Justin S. Morrill (R-VT) and Elbridge G. Spaulding (R-NY), who chaired subcommittees on taxation and on banking and currency respectively. Stevens was such an active and influential floor leader that he invited favorable comparison with an earlier chairman of the Committee of Ways and Means, John Randolph.

Even with an efficient delegation of authority within the committee, the workload was so great that a movement developed to divide the Committee of Ways and Means into three separate standing committees. At the close of the Thirty-eighth Congress, the House Rules were amended to divide the functions previously performed by the committee among three committees: the existing Committee of Ways and Means, and two new committees: the Committee on Appropriations and the Committee on Banking and Currency. Resentment over Chairman Stevens' leadership also played a role in the division of the committee. Stevens acquiesced in this decision for political reasons to maintain his influence over the Republican Party's postwar Reconstruction policy.

Thaddeus Stevens' Committee, 1861–1865

The chairman of the Committee of Ways and Means during the Civil War Congresses, Thaddeus Stevens of Pennsylvania, was similar by temperament and influence to the first great chairman of the committee, John Randolph. Like his Virginia predecessor, Stevens had an abrasive personality, and like Randolph he was the most powerful figure in the House. As leader of the majority party in Congress, Stevens was the real source of power and influence, not Speaker of the House Galusha Grow (R-PA, 1861–1863).

Thaddeus Stevens possessed a personality that inspired both respect and loathing. He dressed in loose-fitting, wrinkled black clothing, and his gaunt features, stern appearance, and black wig created a startling, almost fiendish impression. Like Randolph, Stevens compensated for a physical disability. Although he was born with a crippled foot, he vigorously engaged in swimming, horseback riding, and fox hunting. He also gambled, but he drank sparingly or not at all. He never married, but he evidently enjoyed the company of women. According to rumor he maintained a lengthy relationship with his housekeeper, an attractive young widow.³

Intellect and a scathing wit were Stevens' main attributes in debate. He once interrupted a colleague, who was pacing up and down the aisle while delivering a lengthy speech, to ask: "Do you expect to collect mileage for this speech?" On another occasion, a fellow congressman had responded to a colleague's challenge to a duel by suggesting that they fight with Bowie knives. Stevens made the whole episode appear ridiculous by recommending that dung forks would be more appropriate. But he used wit and intellect for two main purposes. One was to control the House. Ben Perley Poore, a contemporary observer of Congress, recalled that "Thaddeus Stevens was the despotic ruler of the House":

No Republican was permitted by "Old Thad" to oppose his imperious will without receiving a tongue-lashing that terrified others if it did not bring the refractory representative back to party harness. . . . John Randolph . . . was never so ingeniously insulting as was Mr. Stevens toward those whose political actions he controlled.⁴

The chairman's other purpose was to further his causes. Stevens was deeply committed to the rights of the underprivileged. He had grown up in poverty, one of four young sons of a widowed mother. As an adult he was generous, quietly aiding the poor and indigent. He championed the cause of universal free education both on the state level in Pennsylvania and later on the federal level. His primary passion was the eradication of slavery, an institution that he denounced

CHAIRMAN OF THE COMMITTEE OF WAYS AND MEANS
1861-1865

Thaddeus Stevens (R-PA)

Thirty-seventh-Thirty-eighth
Congresses, 1861-65

as “a curse, a shame, and a crime.” After the war, Stevens’ reputation suffered because of the punitive policies against the rebellious states that he advocated as chairman of the Joint Committee on Reconstruction. Those policies, however, were motivated as much, if not more, out of concern for the well-being of freedmen as they were by a desire to punish the South.⁵

During the rebellion, when procedural skill, bold leadership, and force of will were sorely needed, Thaddeus Stevens proved to be a wise choice to manage the difficult financial tasks at hand. His most important asset as chairman was his parliamentary skill. The chairman of the Committee of Ways and Means had special privileges granted by the House rules, most notably the ability to take the floor at any time to introduce or to call for debate on committee legislation, and the right to take precedence in debate on most issues considered by the House. In the role of bill manager, Stevens had no equal. His ruthless use of parliamentary procedure to end debate and call for an immediate vote effectively held the House to consideration of the measure at issue. On several occasions he moved to close debate within one hour, or five minutes, or one minute, or once even that all debate “be terminated in one-half minute.”⁶

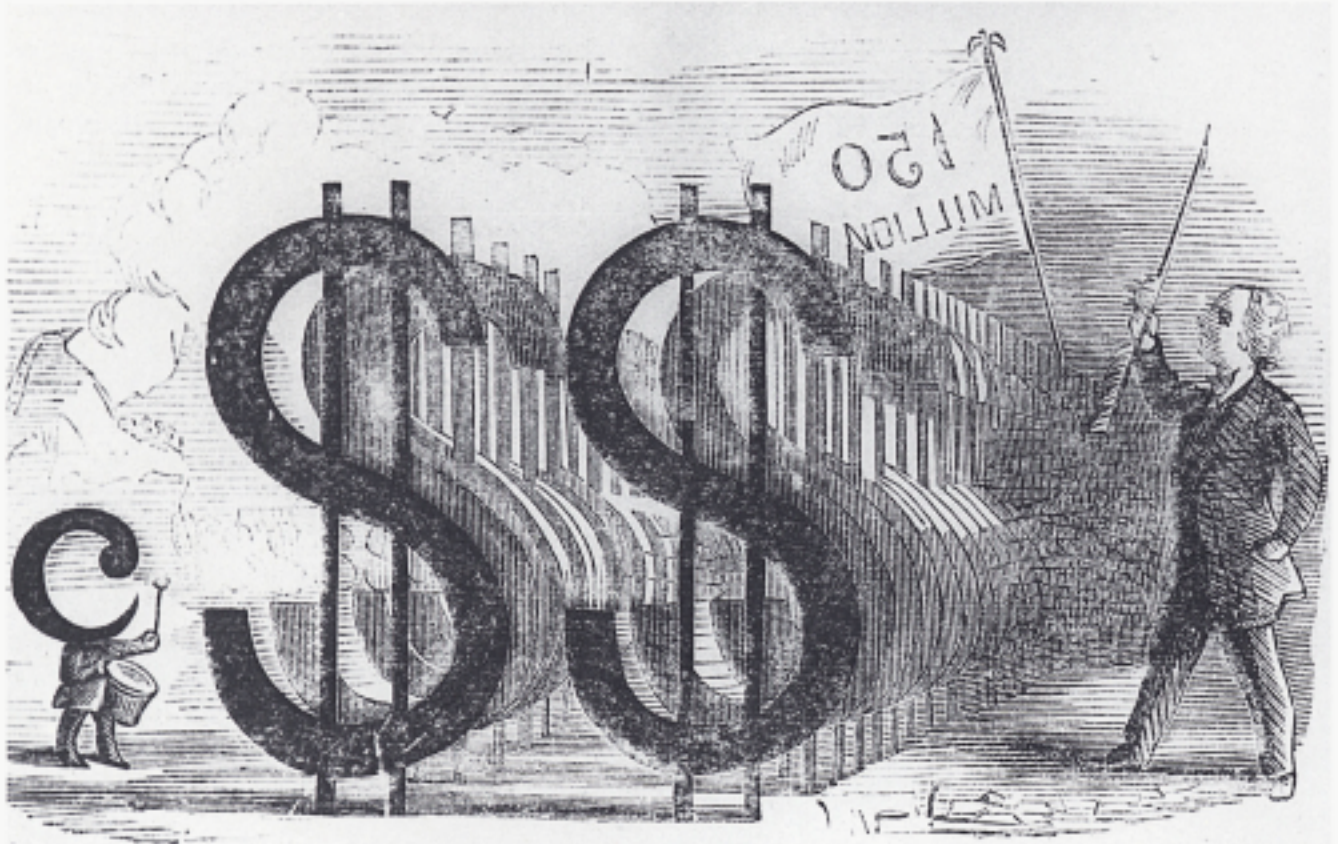
Another strength was Stevens’ ability to delegate responsibility. The committee had an exceptionally heavy workload during the Civil War, and Stevens, who had no formal training in public finance, left the task of preparing the highly technical tax, currency, and loan bills to his more experienced colleagues. John Sherman of Ohio, who served with Stevens on the committee before he moved over to the Senate, suggested in his memoirs that the Pennsylvania congressman, “while a dangerous opponent in debate” was less interested in the more mundane aspects of committee work than he was in managing bills through the House. “He was better in the field of battle than in the seclusion of the committee,” Sherman recalled. “Still, when any contest arose in the House over bills reported by the committee, he was always ready to defend his actions.” Stevens formalized a trend begun in the late 1850s of dividing the committee’s responsibilities along jurisdictional lines. According to Elbridge G. Spaulding, the committee would meet at the beginning of each session and divide the workload among several subcommittees consisting of three to four

members each. Justin S. Morrill, a tariff expert, headed a subcommittee on taxation, and Spaulding, a former state treasurer, was the chairman of a subcommittee on currency and loans, while Stevens remained personally in charge of appropriations bills at the full committee level.⁷

The Committee and the Lincoln Administration

The committee's relationship with the Lincoln Administration began on friendly terms. Stevens and Secretary of the Treasury Salmon P. Chase, a former governor of Ohio, had been friends since the early 1840s. Both men shared an opposition to slavery. They corresponded regularly, and neither man made any pretense to financial genius, though each possessed what was known in the 19th century as a strong-willed personality. Their relationship remained cordial until after Chase had been appointed to the Supreme Court. On the other hand, Stevens differed greatly with the President. The chairman grew impatient with Lincoln's caution in prosecuting the war, and he resented the President's hesitancy to adopt the abolition of slavery as an immediate war goal. Toward the end of the war, Stevens also dissented from the President's moderate and compassionate approach to Reconstruction.

Lincoln's strong leadership contrasted sharply with the weak Presidents of the 1850s. Some of his early decisions, such as blockading the South and suspending the writ of habeas corpus, restored vigor to the Presidency, but they also formed the basis for a lengthy confrontation with the legislative branch. Although Congress cooperated in the early part of the Thirty-seventh Congress, Lincoln's conduct of the war offended not only the small but vocal Democratic opposition, but also many Radical Republicans dedicated to the destruction of slavery. Radicals, including Stevens, objected to the President's dismissal in the fall of 1861 of Gen. John C. Frémont, who had decreed the emancipation of the slaves of disloyal citizens within the military district of Missouri. Stevens and his colleagues were not only outraged at Lincoln's reluctance to embrace immediate emancipation, they also criticized his conduct of military operations. Dismayed by Gen. George B. McClellan's procrastination and the President's inability to prod him to action, the Radicals created the Joint Committee on the Conduct of the War in 1862. The committee investigated allegations of fraud and incompetence in the War Department, probed governmental security (even rumors that Mrs. Lincoln was a spy), and promoted the prosecution of the war to abolish slavery. Congressional resentment of Lincoln's practice of presidential power was also directed at his successor, and culminated in the impeachment of Andrew Johnson in 1868.⁸



Lincoln's role in war finance was less controversial, because he left financial matters to Chase. The President had never been interested in economics, and he recognized his limited knowledge. When financiers criticized one wartime currency measure, Lincoln still signed the bill, reasoning that he was not "exclusively responsible" for it. He reportedly referred financial inquiries to the Secretary of the Treasury: "Go to Secretary Chase; he is managing the finances."

Stevens cooperated with Chase for the most part. He gave the administration loyal support when it came to appropriating money for the war effort. Stevens readily assented to the huge amounts needed, but he urged economy in the expenditure of money and was critical of excessive outlays for the military. For these reasons, the chairman was cautious in his support of an appropriation requested by the administration to raise a special force to protect Kentucky from invasion by the Confederate Army. Declaring that "there are already 660,000 men under arms somewhere . . . [which] can be very well spared," Stevens warned against the folly of "piling mountains upon mountains of debt and taxation, until the nation is finally destroyed by the operations of this war."⁹

The chairman was also selective about backing appropriations for public improvements, especially pork barrel measures thinly disguised

Depicted as a drum major, Treasury Secretary Salmon P. Chase of Ohio marshals a brigade of dollars to help cover the North's Civil War costs. President Lincoln, who admitted that his knowledge of finance was limited, put all such matters in the hands of Chase. The Union mainly raised war funds through loans and taxation. Putting its revenue, banking, and appropriations authority to work, Ways and Means originated most of the key legislative measures that financed Union war efforts.

as military necessities. One such measure, the Illinois Canal Bill presented during the Thirty-seventh Congress, proposed a five-year project to construct a canal between the Mississippi River and Lake Michigan in the event of a war with Great Britain. Stevens delayed the bill by referring it to a Committee of the Whole House, which, complained a colleague, was like "consigning it to the tomb of the Capulets." On the other hand, the chairman enthusiastically endorsed appropriations during the Thirty-eighth Congress for internal improvements that would benefit all regions of the country equally, such as the transcontinental railroads.¹⁰

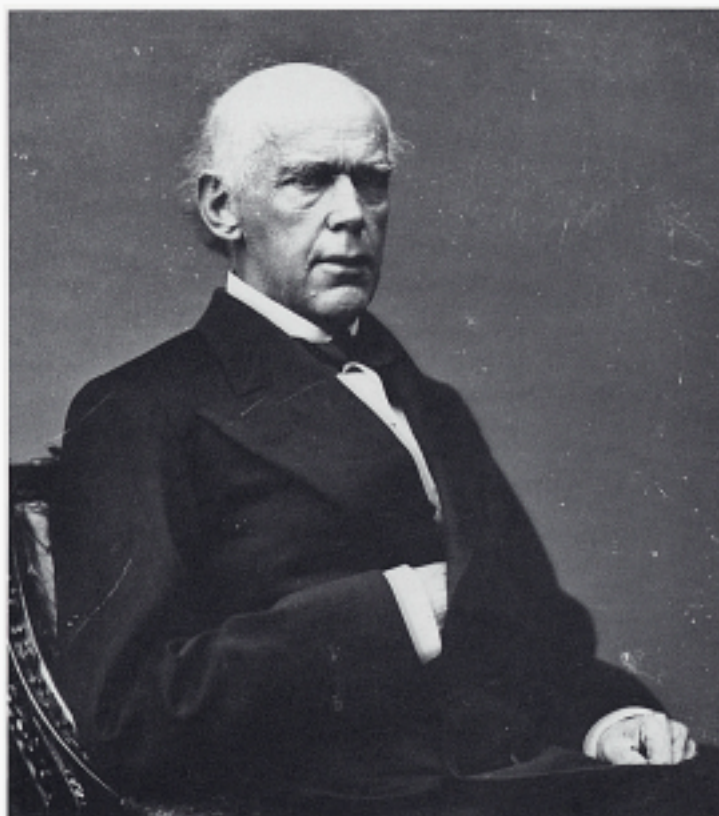
Stevens' parliamentary prowess and his control over the federal purse strings made him the most powerful congressman in the House during the Civil War. Some members complained of his despotic practices during debate on important bills, but the relations between Stevens and his colleagues on the committee were generally harmonious. In both war Congresses, the Republicans held solid majorities on the committee of 6-3 and 7-2, with the Democrats in the minority supporting most committee measures. There was only one piece of legislation, the Legal Tender Bill of 1862, that caused serious divisions within the committee. In other areas a working consensus existed among the members on both issues and the division of labor necessary for the committee to function efficiently.

Early War Finance Initiatives, 1861

The House Committee of Ways and Means originated the key legislative measures to finance the Union war effort, as it had similarly financed the War of 1812. Once again at the committee's suggestion, Congress increased excise taxes and secured loan issues. During the earlier war, the committee had recommended the creation of treasury notes as a circulating medium. They took the more controversial step in 1862 of suggesting the establishment of a national paper currency. Finally, the committee presented plans for a federal income tax, similar to one that had been suggested in 1815 by Secretary Dallas but that had been rejected by the committee at that time.

When the Thirty-seventh Congress convened in special session on July 4, 1861, the nation had been in a virtual state of war since April 15. President Lincoln had declared that a state of insurrection existed in the seceded Southern states, and he had called upon the loyal state governors to provide 75,000 militiamen. The President had also blockaded Southern ports and removed funds from the Treasury to cover war expenses without prior congressional authorization.

Secretary of the Treasury Salmon P. Chase submitted his first report to Congress in early July. The appointment of Chase to the Cabinet had been prompted by political considerations. After his elec-



Treasury Secretary Chase pushed the sale of government war bonds to the public to help retire bank loans. But his plan fell short when Union losses on the battlefield in 1861 shook public confidence. The nation faced a nearly exhausted Treasury and a desperate need for a stable currency. Chase's solution to the crisis, the creation of a currency guaranteed by federal bonds and printed by national banks, received faint support from Ways and Means. The committee favored a bill that became the Legal Tender Act of 1862. It authorized paper money printed and backed by the credit of the government. In 1864, Chase left the Treasury to become Chief Justice of the U.S. Supreme Court.

tion, Lincoln had offered the two most prestigious Cabinet appointments, State and Treasury, to William H. Seward of New York and to Chase. Seward and Chase, who had been the President's chief rivals for the Republican nomination in 1864, were the leaders of the conservative and liberal wings of the party. Their appointment reflected the desire of the new President, a moderate, to forge a coalition embracing the major ideological elements of the party. Chase had declined the post, citing his inexperience in fiscal matters, but he later accepted it, as he said, in order not to "shrink from cares and labors for the common good which cannot be honorably shunned." Seward proved to be an excellent Secretary of State, but Chase's record at the Treasury Department was mixed.¹¹

A former United States senator and governor of Ohio, Chase was an able lawyer, a hard worker, and a self-righteous opponent of slavery, but he lacked the experience and training necessary for the position of Secretary of the Treasury. Thaddeus Stevens was also unschooled in public finance, but he more than compensated for this deficiency with his aggressive leadership qualities. At critical points in the war, Stevens also proved to be flexible enough to accept innovative methods to meet drastically escalating government expenditures. Chase, on the other hand, as a hard money advocate of the old school, lacked Stevens' force and vision in dealings with Congress.

Fortunately, Chase maintained a close working relationship with the banking community, most notably through Jay Cooke, a wealthy Philadelphia banker. Cooke performed a role in marketing government securities similar to that provided by Robert Morris during the Revolutionary War. From his Washington office across the street from the Treasury Department, Cooke orchestrated a nationwide campaign to sell war bonds using advertisements, mass rallies, patriotic speakers, and brass bands. Without his salesmanship and capital, which he contributed in liberal amounts, the war effort would have suffered at Chase's direction. Cooke agreed with Chase that the war should be financed by loans rather than by taxes, and his considerable influence probably delayed the Treasury Secretary's conversion to taxation as a necessary fiscal expedient.¹²

The financial picture that Chase outlined in his first financial report was not promising. During the previous Buchanan Administration, the federal government had accumulated a 20-million-dollar yearly deficit. The Thirty-sixth Congress consequently passed a loan act authorizing the issue of ten million dollars in Treasury notes to be supplemented by the higher import duties imposed by the Morrill Tariff of 1861. The tariff helped to bring in some additional revenues, but by July 1861 the government was faced with a 30-million-dollar deficit in addition to the projected military expenditures for the coming year. In his report to Congress, Chase requested 350 million dollars in appropriations. Of this sum, he recommended that one-quarter could be raised through taxation and the remainder through borrowing in the form of Treasury bonds sold to banks and the general public.¹³

The Committee of Ways and Means promptly responded to the Secretary of the Treasury's request. On July 9, Stevens reported a bill authorizing Chase to borrow 250 million dollars over the next 12 months. The chairman ensured prompt passage of the bill by suspending the rules and limiting floor debate to one hour. The loan bill was subsequently approved with only five dissenting votes. On the heels of this measure, Stevens reported a 150-million-dollar military appropriations bill that was passed by both the House and the Senate after only brief consideration.

Congress' next action was to authorize a comprehensive revenue plan. Consequently, the Committee of Ways and Means reported two bills, the first a tariff, approved by the House on July 19 and containing moderate increases on items such as coffee, tea, and sugar.¹⁴ On July 24, Justin Morrill of the subcommittee on taxation reported the second measure, a bill providing for a direct tax and various internal duties. Borrowing from an earlier measure proposed in 1813, the omnibus bill provided 30 million dollars in revenues derived principally from real estate taxes apportioned on a state requisition system. In his introductory remarks on the bill, Stevens admitted that while its terms



"Old Fuss and Feathers," Gen. Winfield Scott appears on a \$100 U.S. bond, one of the Civil War loan issues authorized by legislation reported by Ways and Means in 1861. Believing victory would come easily in the opening months of the war, Northerners—such as those crowding a Wall Street bank (right)—enthusiastically invested in war bonds.

were "most unpleasant," approval was necessary since "annihilation of the government is the alternative."¹⁵

The committee's tax bill encountered strenuous objections from representatives of land-abundant Western states. Leading the opposition, Schuyler Colfax of Indiana labeled the land tax "the most odious tax of all we levy." In debate, Colfax complained that the bill's provisions favored the wealthy, whose investments were tied up in stocks and bonds, stating: "I cannot go home and tell my constituents that I voted for a bill that allowed a man, a millionaire, who has put his property into stock, to be exempted from taxation, while a farmer who lives by his side must pay a tax."¹⁶ As an alternative, he proposed that the direct tax clause be replaced by a tax on stocks, bonds, mortgages, money, and interest, as well as an income tax.

On the strength of these arguments, the House recommitted the bill with instructions to provide for other taxes. The following day the Committee of Ways and Means reported its inability to revise the bill to provide for direct taxes in a manner consistent with the Constitution. After further debate the House passed a resolution authorizing the committee to raise such sums as might be deemed necessary "by internal duties or direct taxation on personal income or wealth." The bill was reexamined in the committee and an alternative was proposed whereby direct taxes would be reduced by ten million dollars and supplemented by an income tax of 3 percent on all incomes exceeding \$600. Morrill designed and introduced the income tax provisions of the bill. "The indirect or income tax which is to be raised by this bill will be, in my judgment," Morrill maintained, "at least twice as much as what we shall raise by direct taxation."¹⁷ He argued that the income tax, which had been considered an indirect tax since it had first been discussed in 1815, differed from a direct tax on land. Most members of Congress agreed with Morrill. The revenue bill was passed by the House on July 29, 1861, by a vote of 77-60.

The House bill was amended by the Senate before a conference committee compromised the differences between the two versions. The House tariff and revenue bills were considered together by the



Senate, which determined that the direct tax could be supplemented by moderate duties on both imports and incomes. Subsequently, the Senate Committee on Finance reported a revenue bill amending the House version to provide a 5 percent income tax on all incomes above \$1,000 with a lower rate levied on incomes of U.S. citizens residing abroad and on income derived from government securities. The revenue bill eventually forged in conference committee contained the direct tax provision recommended by the House, an income tax of 3 percent on incomes above \$800 for citizens residing in the United States and 5 percent on those living abroad. Congress also decided to tax securities by 1.5 percent. This bill was signed into law by President Lincoln on August 5, 1861.¹⁸

The income tax provisions of the Revenue Act of 1861, however, were never enforced. The tax applied to income generated in 1861 and was to be paid on or before June 30, 1862. Chase and the Treasury Department delayed implementation of the statute, expecting Congress to modify the tax in its next session. He praised Congress in December of 1861 for postponing "the necessity of taking steps for the practical enforcement of the law." Chase cited every excuse for delay—the lack of accurate statistics and the large number of incomes exempt from the tax. He continued to favor loans and direct taxes rather than the income tax.¹⁹

The Legal Tender Act of 1862

In August 1861, Secretary of the Treasury Chase journeyed to New York for a meeting with prominent bankers for the purpose of obtaining the loan authorized earlier that year by Congress. Convinced that the war would be short, the financiers from New York, Boston, and Philadelphia agreed to supply the Treasury with 50 million dollars in exchange for a subscription of the same amount in federal securities. Two additional loans of 50 million dollars would be made in October and December. Chase stipulated that the bank payments would be made in specie, as specified by the terms of the Independent Treasury Act. In addition, Chase agreed to encourage public investment in the national loan through the purchase of notes at attractively low interest rates payable to the banks.²⁰ Buoyed by substantial popular support, the first two payments took place without complications.

Chase's policy proved to be shortsighted. By December 1861, the war was going badly and public interest in purchasing government bonds had dwindled. In addition, the Secretary's insistence on specie payments caused a serious drain on the nation's gold reserves. As a result, the banks and the general public began to hoard whatever limited gold was available. Faced with the prospect of depleted gold reserves and severely depreciated government securities, the banks suspended their payments to the federal government, an action that posed an immediate threat to the war effort.²¹

By January 1862, the financial situation was critical. Government expenditures had exceeded Chase's July estimates by 200 million dollars, and current war costs were nearing the then staggering sum of two million dollars a day. Foreign trade was hindered by the war effort, with a corresponding decline in customs revenues. The gold reserves in the Treasury were so low that it had also been forced to suspend specie payments. The unexpected action of the banks in suspending specie payments had left Chase hard-pressed to provide fresh fiscal alternatives. The best available option would be for Congress to enact some monetary plan to provide a stable currency not backed by specie.

Although he opposed the issuance of government notes in principle, Chase left the door open for the adoption of this expedient in his report to Congress in which he stated that the legislature possessed the authority to control credit circulation under its power to regulate commerce and to regulate the value of coin. Chase suggested that the currency issues of the state banks could be replaced by one of two measures: the gradual withdrawal of these notes and their replacement by U.S. notes payable in coin or on demand, or the creation of a system of national banks authorized to issue notes for circulation also convertible into coin by the pledge of government securities.²² Chase personally recommended that Congress adopt the second plan.

The song "How Are You Green-Backs" lampoons the controversy over paper currency during the Civil War. Greenbacks, named for their color, were first issued by the federal government in 1862. The U.S. notes served as legal tender payable on demand for all debts except tariff duties, interest on the public debt, and the purchase of public land. The Legal Tender Act of 1862 authorized the creation of greenbacks after an intense debate over the currency issue inflicted the only serious division among the Ways and Means Republican majority during the war. Greenbacks depreciated steadily throughout the war; they finally regained par value under the Resumption Act of 1875.

DAN BRYANT'S
Popular comic Song

HOW ARE YOU GREEN-BACKS

AS SUNG BY HIM
with immense Success
AT

UNITED STATES
TEN DOLLARS

BRYANT'S MINSTRELS
ALSO BY

MRS. JOHN WOOD
in the grand Fairy Extravaganza
FAIR ONE WITH THE GOLDEN LOCKS.

WORDS BY **E. Bowers, Esq.** ARRANGED BY **Cha? Glover.**

NEW YORK
Published by **W. A. POND & CO.** 547 Broadway

BOSTON **GIBBS & CO.** ALBANY **J. H. BIDLEY** BUFFALO **ROBBETT & BEDFORD** MILWAUKEE **J. N. HEMPTER.**

Chase's report was referred to the Committee of Ways and Means, where Spaulding's subcommittee on loans and currency produced a very different bill that formed the basis for the Legal Tender Act of 1862. As introduced by Spaulding on December 30, 1861, the committee's currency bill provided for the issue of 50 million dollars in Treasury notes, payable on demand. The most significant and controversial aspect of Spaulding's bill was that the notes would be "lawful money and legal tender in payment of all debts, public and



A legal tender note illustrates one type of paper currency in circulation during the Civil War. In 1863, the National Banking Act, drawing on fiscal concepts espoused by Ways and Means, revamped the nation's banking system and stimulated war bond sales by introducing another form of paper money, the national bank note. It remained the foundation of U.S. currency until 1914.

private, within the United States." This paper money would be legal tender in payment of all taxes and debts owed to the government, and would also be reissued "from time to time as the exigencies of the public service may require."²³ The essential difference between the two plans was that Chase's notes would be guaranteed by government bonds and would be printed by the national banks, but Spaulding recommended that the government itself print paper money backed by its own credit. His bill was read twice and recommitted to the Committee of Ways and Means for further consideration.²⁴

The currency bill caused a serious split within the committee's membership, one that cut across party lines. In preliminary discussions, opinion was divided as to whether Spaulding's bill should be presented to the House. The measure was supported by Republicans Stevens, Spaulding, and Samuel Hooper of Massachusetts. Morrill, Valentine S. Horton of Ohio, and minority member Erastus Corning of New York actively opposed the bill; Republican members John L. N. Stratton of New Jersey and Horace Maynard of Tennessee took no active part in the committee's deliberations. The ranking minority member, John S. Phelps of Missouri, was absent, attending to the problems of his war-torn home state. After several days of deliberations a vote was taken that found the committee equally divided along these lines. The committee allowed the bill to be reported to the House when Stratton finally voted in its favor.²⁵

On January 7, 1862, Spaulding once more reported his bill, now labeled H.R. 187, to the House. Before taking this action, the committee had made some modifications to the measure, raising the treasury note issue to 150 million dollars but retaining the legal tender clause. The bill encountered stiff opposition from several quarters, principally from the Secretary of the Treasury and his advisor Jay Cooke, from opponents of paper money in the House, and from the financial and banking community. On the day the bill was reported, Cooke's brother wrote to him about the volatility of the currency issue, stating that "the Committee of the House are perfectly wild on the subject," and

PARTY RATIOS IN THE COMMITTEE AND THE HOUSE
1861-1865

<u>CONGRESS</u>	<u>COMMITTEE</u>	<u>HOUSE</u>	<u>PRESIDENT</u>
Thirty-seventh (1861-1863)	6 R-3 D	105 R-43 D [30]	Lincoln (R)
Thirty-eighth (1863-1865)	7 R-2 D	102 R-75 D [9]	

R—Republican D—Democrat

[Numbers in brackets refer to independents or members of third parties.]

mentioning Chase's opposition to the bill: "I learn (but not from Gov C) that he has declared that if Congress persists in such a course, and fails to carry out his policy, bank bill included—he will no longer be responsible for the national finances by remaining in the Treasury."²⁶ On January 8, Chase held his annual dinner for members of the House Committee of Ways and Means and the Senate Committee on Finance, with Jay Cooke also present. The currency was the primary subject of discussion, but Chase was unable to change the minds of the House members favorable to Spaulding's bill.

Meanwhile, House members who supported hard money, that is, gold and silver coin only, raised their own objections to the currency bill. These congressmen rallied around the committee's minority report authored by Morrill. The Vermont Republican believed that the issuance of inflationary paper currency by the federal government would spell fiscal disaster. Morrill prophesied that the circulation of worthless paper money would "be of greater advantage to the enemy. . . . It will injure creditors; it will increase prices; it will increase many-fold the costs of the war."²⁷ Other representatives questioned the constitutionality of paper money. The leaders of the opposition in the House in addition to Morrill were Ohio Democrats George H. Pendleton and Clement L. Vallandigham.

Chairman Stevens vigorously defended the legal tender bill. In committee he had originally expressed doubts about its constitutionality, but he quickly changed his mind when he came to the realization that Spaulding's plan was the government's only alternative. His response to the strict constructionists in debate was that the Constitution's prohibition upon the states "to make anything but gold and silver coin a tender in payment of debts" did not necessarily apply to Congress. Besides, he added, "If nothing could be done by Congress except what is enumerated in the Constitution, government would not last a week."²⁸

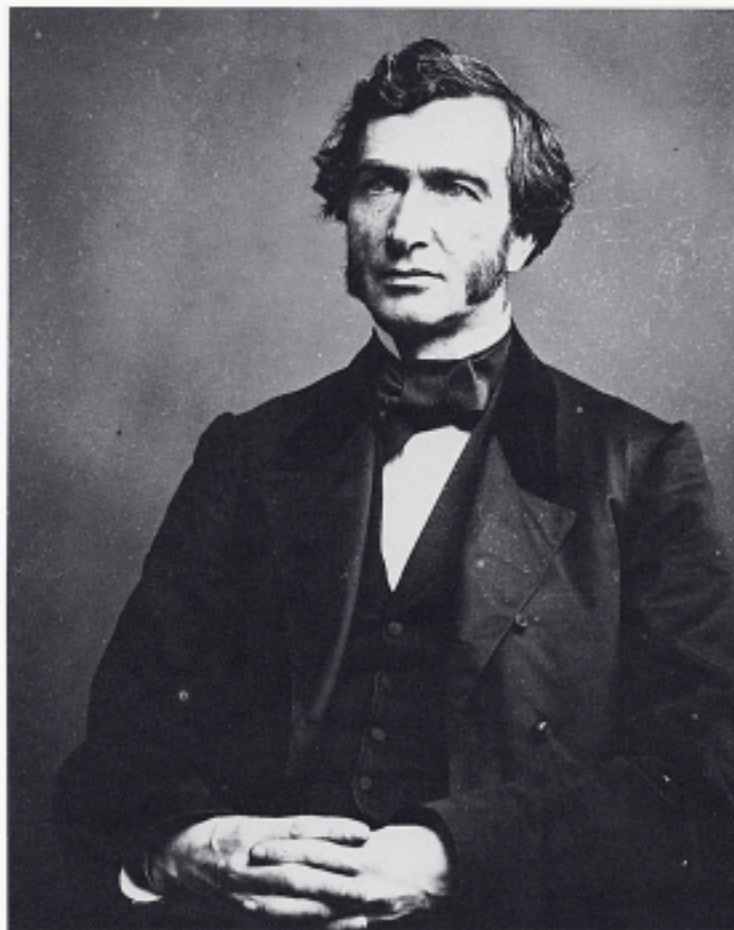
The leading Northern financial institutions made one last effort to stop the legal tender bill. While the bill was being debated, delegates from banks in New York, Boston, and Philadelphia traveled to Washington to lobby Congress. On January 11, an informal meeting took place between members of the Committee of Ways and Means, the Senate Committee on Finance, Secretary Chase, and the representatives of the banks. The son of former Secretary of the Treasury Albert Gallatin, James Gallatin of the New York National Bank, delivered the principal speech in opposition to the legal tender bill. He argued that more revenue could be raised through taxation without the issuance of paper money. Loans could also be floated on the open market, a practice often derided as "shinning." Spaulding ridiculed the idea of selling depreciated government bonds, or "shinplasters." As Spaulding described the meeting, it became "somewhat conversational in character." No consensus was reached, and the committee stuck to its version of the bill. On February 6, after several versions of the bill were presented to and debated by the House, the bill, with the legal tender clause intact, was approved by a vote of 93 to 59.²⁹

The legal tender bill was then considered by the Senate Committee on Finance. Chairman William Pitt Fessenden of Maine, who was expected to guide the bill through the Senate, expressed skepticism about the measure and its potential "to encourage bad morality, both in public and in private."³⁰ The Senate committee subsequently reported a bill authorizing the issuance of paper currency, but stipulated that the notes would not be payable for interest on securities, for tariff duties, or for purchases of public land. These restrictions were included to protect certain revenues from currency depreciation. The measure passed the Senate by a vote of 30 to 7 after a long debate in which Fessenden and several other senators attempted unsuccessfully to strike out the legal tender clause altogether. Several disagreements between the two bodies were worked out in conference committee, and the bill, with the Senate amendments substantially intact, became law on February 25, 1862. In July an additional 150 million dollars of paper currency, referred to as "greenbacks" because of their appearance, were authorized by statute. All other forms of currency were gradually eased out of circulation. The passage of these acts were the only major accomplishments of Spaulding's short congressional career. "The father of the greenbacks" returned to Buffalo at the conclusion of the Thirty-seventh Congress to resume his banking career.³¹

The Internal Revenue Act of 1862

The passage of the Legal Tender Act enabled Congress to print the currency needed to pay the government's expenses, but it did not

Tax expert Justin Morrill headed the Ways and Means subcommittee on taxation and brought his genius for finance to bear on the problem of funding the Union's Civil War effort. The series of internal revenue bills that Morrill prepared inspired the basic legal machinery behind today's Internal Revenue Service and its tax-collecting powers. As a member of Ways and Means, the Vermont congressman also authored the Morrill Tariff Act of 1861. Its main provisions increased existing tariff rates in order to provide for payment of outstanding treasury notes. Morrill became Ways and Means chairman in 1865, and on three different occasions between 1877 and 1898 he served as chairman of the Senate Finance Committee.



solve the revenue shortage. In the winter of 1862, Congress steered its course away from a reliance on loans toward taxation as the principal means to finance the war. This shift in policy stemmed partly from a favorable change in public opinion. The nation's newspapers, for example, urged the imposition of additional taxes, and even began to pressure Congress to provide the necessary leadership. An editorial appearing in the *New York World* in January 1862 charged that the House Committee of Ways and Means was inappropriately named, since it provided "neither the leadership nor the means of meeting the public debt." The editorial further criticized the "spouting wretches" in Congress for wasting time in discussing issues other than the nation's finances, "the only real question now before the country."³²

In the spring of 1862, a tax bill finally emerged from its "Serbian bog of delay," to use the *World's* colorful phrase for the Committee of Ways and Means. The delay was more than justified by the complexity of the issues and by the thoroughness of the committee's recommendations. In response to Secretary Chase's earlier request for 50 million dollars in additional revenues, the committee's bill provided taxes to yield 150 million dollars. This measure, as originally reported by

Morrill, was more comprehensive than the Revenue Act of 1861. It extended the income tax by applying a mildly progressive scale of 3 percent on persons owning or earning between \$600 and \$10,000, and 5 percent on incomes above \$10,000. The bill also imposed an inheritance tax and included other excise, license, and stamp taxes similar to those levied during the War of 1812. The bill was passed without significant opposition in Congress or among the general public. The President signed the Internal Revenue Act on July 1, 1862. The law provided for the first federal income tax in American history. Moreover, it incorporated the two seemingly radical principles of progressive rates and withholding. The rates of 3 percent and 5 percent recommended by Morrill were retained, and the law further provided for withholding of the tax from government salaries, both civilian and military, and from interest and dividends paid by railroads, banks, trust, and insurance companies.³³

For such an apparently radical departure in federal tax policy, the income tax elicited little public opposition. The first Commissioner of Internal Revenue, George S. Boutwell, set up an office in the Treasury with but three clerks to collect the tax. The confusion inherent in such a vast system, coupled with the inevitable evasion of the tax, kept collections to less than one-half of the original estimates. Congress also passed a new tariff revision in 1862, drafted by the Committee of Ways and Means partly to supply additional revenues and partly to offset the impact of internal revenues on domestic commodities. The bill had a protectionist slant that benefitted domestic producers and manufacturers, particularly of iron and wool, while also providing additional revenues.³⁴

Income Tax and Tariff Revision in 1864

The Committee of Ways and Means produced three new measures in 1864—two income tax revisions and one further tariff increase—as the cost of the Union war effort continued to exceed revenues. The income from both the Tariff Act and from the Internal Revenue Act of 1862 had proved disappointing. Morrill's subcommittee on taxation once again set to work in 1864 to double the tax yield of federal revenues. On April 14, Morrill reported the committee's bill to increase the income tax to 5 percent on all incomes over \$600. This proposal would have eliminated the principle of progressive rates, although the Commissioner of Internal Revenue had recommended an increase in the graduated scale. Both Morrill and Stevens argued emphatically against taxing higher incomes at increased rates. The chairman asserted that a progressive income tax was "a punishment of the rich man because he is rich." Morrill similarly argued that such a tax was unjust and would lead to evasion of the law. "This inequality is in fact no

The federal government's first income tax form (below and following page) bears a heading dated 1862. Critical financial demands of the Civil War prompted Ways and Means to steer away from loans and move toward taxation as the primary method of raising adequate funds. Revenue bills reported by the committee became law in 1862 and 1864, the first income tax measures enacted in U.S. history. A section of the 1862 law (right) sets two tax rates, 3 and 5 percent. The tax law of 1864 set forth graduated rates of 5 to 10 percent (see following table) and allowed for withholding of taxes on salaries of government employees.

INCOME TAX FOR 1862.

The Income Tax is imposed upon a certain proportion of the income of these two classes, viz:

1st. Every person residing in the United States; and every citizen residing abroad who is in the employment of the Government of the United States.

2d. Every citizen of the United States residing abroad, and not in the employment of the Government of the United States.

Every person in the first class will be taxed at the rate of three per cent. when his or her annual gains, profits, or income exceed \$500, and do not exceed \$10,000.

Every person in the second class will be taxed at the rate of five per cent. when the annual gains, profits, or income exceed \$10,000, after the following deductions are made from the gross amounts returned, (as per table, page 2,) viz:

- 1st. The \$500 allowed by law.
- 2d. Other national, State, and local taxes assessed for 1862, and paid.
- 3d. Rent actually paid for the dwelling-house or estate occupied as the residence of the person assessed.
- 4th. Necessary repairs to property yielding the income; or insurance thereon; or pay for hired laborers, and their subsistence, employed in conducting his business; or interest on incumbrances upon the property; or all, as the case may be.

Every person in the second class will be taxed at the rate of five per cent., whatever may be his or her annual gains, profits, or income from property, securities, and stocks owned in the United States, without other deductions than numbers 2 and 4 above stated.

Whenever the taxable income of a resident in the United States, ascertained as above, exceeds \$10,000, and upon a portion of said amount three per cent. has been withheld by the officers of companies, corporations, and associations, from interest or dividends therein due him, such income will be subject to a tax of two per cent. additional upon so much thereof as may have been previously subjected to a duty of three per cent. by the officers of the companies, corporations, or associations aforesaid.

But in no case, whether a person is subject to a tax of three or five per cent., is a higher rate of tax than 1½ per cent. to be collected from that portion of income derived from interest upon notes, bonds, or other securities of the United States.

Where a husband and wife live together, and their taxable income is in excess of \$500, they will be entitled to but one deduction of \$500, that being the average fixed by law as an estimated contribution for the expenses of maintaining a family. Where they live apart, by divorce or under contract of separation, they will be taxed separately, and be each entitled to a deduction of \$500.

On the following pages will be found detailed statements to assist in making out returns.

DETAILED STATEMENT OF SOURCES OF INCOME AND THE AMOUNT DERIVED FROM EACH, DURING THE YEAR 1862.

	AMOUNT.	
NOTE —Gross amounts must be stated. *1862		
1. Income of a resident in the United States from profits on any trade, business, or vocation, or any interest therein, wherever carried on.....		
2. From rents, or the use of real estate let.....		
3. From interest on notes, bonds, mortgages, or other personal securities, not those of the United States.....		
4. From interest on notes, bonds, or other securities of the United States.....		
5. From interest or dividends on any bonds or other evidences of indebtedness of any railroad company or corporation.....		
6. From interest or dividends on stock, capital, or deposits in any bank, trust company, or savings institution, insurance or railroad company, or corporation.....		
7. From interest on bonds or dividends on stock, shares or property in gas, bridge, canal, turnpike, express, telegraph, steamboat, ferry-boat, or manufacturing company or corporation, or from the business usually done thereby.....		
8. From property, securities, or stocks owned in the United States by a citizen thereof residing abroad, not in the employment of the Government of the United States.....		
9. From salary other than as an officer or employee of the United States.....		
10. From salary as an officer or employee of the United States.....		
11. From farms or plantations, including all products and profits.....		
12. From advertisements.....		
13. The guardian, trustee, executor, or administrator of the property or estate of.....		
14. From all sources not herein enumerated.....		
TOTAL		

DETAILED STATEMENT OF DEDUCTIONS AUTHORIZED TO BE MADE.

	AMOUNT
1. Expenses necessarily incurred and paid in carrying on any trade, business, or vocation, such as rent of store, clerk hire, insurance, fuel, freight, &c.....	
2. Exempted by law, (except in the case of a citizen of the United States residing abroad.) \$1000.....	
3. Amount actually paid for rent of the dwelling-house or estate occupied as a residence.....	
4. Other national, state, and local taxes assessed and paid for the year 1922, and not elsewhere included.....	
5. Amount actually paid by a property owner for necessary repairs, insurance, and interest on incumbrances upon his property.....	
6. Income from interest on bonds, or other evidences of indebtedness of any railroad company or corporation, from which 3 per cent. thereon was withheld by the officers thereof, between September 1st and December 31st, 1922, inclusive.....	
7. Income from interest or dividends on stock, capital, or deposits in any bank, trust company, or savings institution, insurance or railroad company, from which 3 per cent. thereon was withheld by the officers thereof, between September 1st and December 31st, 1922, inclusive.....	
8. Amount paid by a farmer or planter for— (a) Hired labor, including the subsistence of the laborers..... (b) For necessary repairs upon his farm or plantation..... (c) For insurance, and interest on incumbrances upon his farm or plantation.....	
9. Salary of officers, or payments to persons in the civil, military, naval, or other service of the United States, in excess of \$600.....	
10. Income from advertisements, on which 3 per cent. was paid, from September 1st to December 31st, 1922, inclusive.....	
TOTAL	

I hereby certify that the following is a true and faithful statement of the gains, profits, or income of _____ of the _____ of _____ in the County of _____, and State of _____, whether derived from any kind of property, rents, interest, dividends, salary, or from any profession, trade, employment, or vocation, or from any other source whatever, from the 1st day of January to the 31st day of December, 1922, both days inclusive, and subject to an Income Tax under the excise laws of the United States:

	RATE.	AMOUNT.	AMOUNT OF TAX.
Income from all sources whatever, subject to	3 per cent.		
Do. do. if exceeding \$10,000, subject to	5 per cent.		
Income derived from interest upon notes, bonds, or other securities of the United States, subject to	14 per cent.		
Income from property in the United States owned by a citizen thereof residing abroad, subject to	3 per cent.		
Income exceeding \$10,000, upon a portion of which a tax of 3 per cent. has already been paid, subject to	4 per cent.		
TOTAL			

(Signed)

Dated at _____ this _____ day }
of _____, 1923. }

Sworn and subscribed before me, this _____ day
of _____, 1923.

Notarial Instance.

INCOME TAX REVISION OF 1864			
RATES PROPOSED BY:			
<u>Committee of Ways and Means</u>	<u>House</u>	<u>Senate</u>	<u>Conference/ Final</u>
5% on incomes over \$600	5% over \$600	5% over \$600	5% over \$600
	7.5% over \$10,000	7.5% over \$5,000	7.5% over \$5,000
	10% over \$25,000	10% over \$15,000	10% over \$10,000

less than a confiscation of property," the chairman of the subcommittee on taxation stated. "People who are taxed unequally on their incomes regard themselves as being unjustly treated, and seek all manners of ways and means to evade it," he concluded.³⁵

The House amended the committee's bill to include three graduated rates: 5 percent on incomes over \$600, 7.5 percent on incomes over \$10,000, and 10 percent on incomes over \$25,000 (the annual salary of a member of Congress was \$3,000). The Senate Committee on Finance modified the rates, and the final Senate version retained the rates but lowered the upper income brackets to \$5,000 and \$15,000. The conference committee recommended commencing the 10 percent bracket at \$10,000. The bill also included an increased inheritance tax provision recommended by the Committee of Ways and Means. The rates recommended by the conference committee as well as the increased inheritance tax were incorporated in the Income and Inheritance Tax Law of June 30, 1864.³⁶

In spite of these increased taxes, Chase continued to fear that revenues would not meet the government's war needs, especially the pressing need to recruit more soldiers. In order to pay a bounty for new recruits, Morrill and the committee proposed a joint resolution imposing an income tax surcharge of 5 percent on all incomes over \$600 for the previous year. The House and Senate pushed the resolution through so that it became law on July 4, 1864, the last day of the first session of the Thirty-eighth Congress. The committee under Stevens and Morrill's guidance had also increased the protective tariff rates to the highest level the nation had ever experienced. Manufacturing groups had created national organizations such as the National Association of Wool Manufacturers, the American Iron and Steel Association, and the National Manufacturers' Association to lobby Congress for higher tariffs. The resulting Tariff of 1864, which raised the average rate from 37 to 47 percent, remained in effect with only minor changes until 1883.³⁷

HOUSE OF REPRESENTATIVES
COMMITTEE OF WAYS AND MEANS

Jan 10. 1864

Gentlemen

I have recd your letter dated Jan 9. 1864 signed by all my republican colleagues from Penn asking me to permit my name to be printed to the president for the office of Secy of the Treasury. I feel flattered and grateful for your friendly requests but independent of my distrust of my fitness for the place I have no aspirations for any appointment in the gift of the Government I must ask you therefore to forego your kind intention ~~in this matter~~ Thanking you for the personal kindness I will prompt to your letter I am

your obliged and
old servt

Thaddeus Stevens

On ornate Ways and Means stationery, the flamboyant writing of Thaddeus Stevens proclaims the disinterest of "Old Thad" in becoming Secretary of the Treasury. Stevens expressed his gratitude to Republican colleagues who wanted to put his name into consideration for the position. He wrote this letter about a month after a faction of conservative and moderate Republicans attempted unsuccessfully to remove him as chairman of Ways and Means. In 1865, Stevens took charge of the newly formed Appropriations Committee and remained its vociferous champion until his death at age 76 in 1868.

In addition to imposing higher tariffs and income taxes, Congress periodically revised the excise tax rates. Some of these changes proved to be controversial, as had always been the case with excise taxes. In January 1864, Stevens introduced a bill to raise the tax on whiskey from 20 to 60 cents a gallon, in accordance with a recommendation by Secretary Chase. Whiskey speculators, in anticipation of the higher tax, began to hoard the commodity. In protest, Fernando Wood of New York proposed an amendment that citizens with whiskey currently on hand should pay 40 cents a gallon, the difference between the old and new rates. Chairman Stevens voted with a majority

of the House to omit the amendment from the final bill. A disgruntled Wood then accused Stevens of collusion with the liquor lobbyists by persuading some members to vote against his amendment. A rumor began to circulate that the chairman himself was personally "interested" in whiskey, and that he had even telegraphed information to the lobbyists when the vote was pending on the tax bill. According to Stevens' biographer, the source of this rumor was a member of the Committee of Ways and Means. Stevens confronted the member and demanded to know on what authority he was circulating this slander, an action that effectively killed the rumor.³⁸

The Committee of Ways and Means not only considered the means to raise money, but also the ways to spend it. Appropriations was Chairman Stevens' personal forte. One bill the committee reported in January of 1864 caused him some minor embarrassment. The Confederate Army had destroyed much private property in Pennsylvania during the invasion that led to the fateful battle at Gettysburg in July 1863. One of the properties destroyed was Stevens' Caledonia Iron Works. The chairman was criticized by some of his colleagues when he proposed the reimbursement of Pennsylvania for losses sustained in the invasion. Stevens sold his property to avoid criticism, and he wrote a sarcastic letter to Simon Cameron, a wealthy Pennsylvanian, suggesting that "as you sometimes buy good bargains I suggest you buy my *late* Iron works."³⁹

The Impact of Civil War Revenue

By the end of the Civil War, the United States government no longer relied on customs duties as its principal source of revenue. Congress had implemented a comprehensive revenue system of taxation between 1861 and 1865 based upon customs duties, income taxes, and excises. Taken together, the various war revenue acts marked a milestone in the nation's history. Although enacted as emergency measures, most of which were repealed after the war, the income taxes established a precedent of direct government intervention in the lives of American citizens to a degree that had not previously existed. The Revenue Acts of 1861, 1862, and 1864 also created a bureaucracy to administer the tax. For example, the Revenue Act of 1862 provided for the establishment of the Internal Revenue Bureau with personnel to assess and collect taxes in revenue districts throughout the United States.

In addition to its tax initiatives, the war Congresses also revamped the nation's banking system with the enactment of the National Banking Act of 1863. This statute did not originate in the Committee of Ways and Means, but it did reflect certain basic concepts first recommended by Elbridge Spaulding in a committee bill drafted



in 1862 but not acted upon. The 1863 bill, drafted by the Senate Committee on Finance, was proposed largely as a means of stimulating the sale of war bonds. The act, as signed by the President on February 25, 1863, required all banks chartered under its terms to invest one-third of their capital in United States securities deposited in the Treasury Department. The National Banking Act regulated state banks, helping put an end to the wildcat banking methods prevalent before the war.⁴⁰

The Committee of Ways and Means, though not directly responsible for the National Banking Act, had nevertheless built an enviable record of achievement by the close of the second session of the Thirty-eighth Congress on March 3, 1865. In addition to the major pieces of legislation discussed in this chapter, such as the Revenue Acts of 1861 and 1862, the Legal Tender Act of 1862, the Tariffs of 1862 and 1864, and the Income Tax Revisions of 1864, the committee had reported 126 bills in the two war Congresses, involving 3.8 billion dollars. The committee reported appropriations bills for matters as varied as establishing an assay office in Carson City, Nevada,

The human side of Ways and Means appropriations during the Civil War appears in this sketch of a Union camp. Covered wagons loaded with supplies arrive during mess. Monies raised by Ways and Means kept Union soldiers better fed, clothed, and outfitted than Confederate troops. Even so, camp life was hard. Top pay for a Union infantry private was \$16 a month. He had to endure sickness, keep warm in lice-infected blankets, and eat weevil-infested biscuits harder than a "ten penny nail." War stress put Ways and Means on an overtime work schedule. The committee reported 126 Civil War bills ranging from internal improvements to outfitting the Army and the Navy. Chairman Stevens, alert for pork barrel measures disguised as military necessities, achieved economy in war expenditures.

increasing the salaries of government clerks, and opening an exhibition in London, as well as the more important bills funding the Army and the Navy. The workload was correspondingly heavy. According to Morrill, the committee worked "day and night, week days and Sundays."⁴¹ The committee's efficiency was considerably enhanced by the de facto division of responsibilities for appropriations, revenue, and currency issues among the chairman and the subcommittees. As had been the case before in the committee's history, an informal arrangement became officially recognized in the rules, in this instance when the committee was split into three standing committees along these jurisdictional lines.

The Division of the Committee, 1865

On March 2, 1865, the day before the Thirty-eighth Congress ended, the House adopted a rules revision that split the Committee of Ways and Means into three separate standing committees. Jurisdiction over appropriations and over banking and currency was granted to two new committees, with the Committee of Ways and Means retaining jurisdiction over revenue matters. Outside of its creation, this was the most momentous development in the committee's history. The reason given at the time for the division was the oppressive workload during the Civil War. Subsequent writers have repeated the claim that the increased workload was the primary motive for the split of the committee. Stevens' biographers have added that the chairman's age, 73, and his waning endurance also prompted the action.⁴²

The committee's records for the two war Congresses provide ample evidence of a heavy volume of business. The petitions, correspondence, and reports contained in the records provide an insight into the breadth of the committee's jurisdictional responsibilities. The documents submitted by the Secretary of the Treasury and the Commissioner of the Internal Revenue were both useful and wide-ranging. A report from an inspector of the Internal Revenue office with suggested changes in the excise taxes was detailed and precise, for example. Similarly pertinent was a report submitted by Chase recommending a large import duty on Chinese firecrackers and palm-leaf fans. But others bordered on the ridiculous, such as one petition requesting a tax on dogs, which "would in some degree abate a universal nuisance."⁴³

Many subjects competed for the committee's attention. In addition to the ubiquitous requests for tax relief, such as printed circular petitions from pharmacists and brewers, the committee also received requests for tax increases and pay raises. G. B. Lewis of the Cleveland Land Warrant Office, for example, asked that his tax be increased over tenfold, in order "to raise the standards of [the] profession" and

AMENDMENT OF THE RULES.

FEBRUARY 8, 1865.—Ordered to be printed.

Mr. COX, from the Select Committee on the Rules, made the following

REPORT.

The Select Committee on the Rules of the House of Representatives report the following resolutions:

Resolved, That rule 74 be amended so as to add to the standing committees to be appointed at the commencement of each Congress, and to consist of nine members each—

Committee on Appropriations.
Committee on Banking and Currency.
Committee on the Pacific Railroad.

Said amendment to take effect from and after the close of the present Congress.

Resolved, That the following be added to the standing rules of the House from and after the close of the present Congress:

Rule — It shall be the duty of the Committee on the Pacific Railroad to take into consideration all such petitions and matters or things relative to railroads or telegraph lines between the Mississippi valley and the Pacific coast as shall be presented or shall come in question, and be referred to them by the House, and to report their opinion thereon, together with such propositions relative thereto as to them shall seem expedient.

Rule — It shall be the duty of the Committee of Ways and Means to take into consideration all reports of the Treasury Department, and such other propositions relative to raising revenue and providing ways and means for the support of the government, as shall be presented or shall come in question and be referred to them by the House, and to report their opinion thereon by bill or otherwise, as to them shall seem expedient.

Rule — It shall be the duty of the Committee on Banking and Bank Currency to take into consideration all propositions relative to banking and the currency as shall be presented or shall come in question, and be referred to them by the House, and to report thereon by bill or otherwise.

Resolved, That from and after the close of the present Congress rule 76 be amended as follows: Strike out all after the word "consideration," in line 2, to and including the word "expenditure," in line 6, and insert in lieu thereof: "all executive communications, and such other propositions in regard to carrying on the several departments of the government as may be presented and referred to them by the House."

Strike out in line 1 the words "Ways and Means," where they occur, and insert in lieu thereof the words "on appropriations."

Resolved, That from and after the close of the present Congress rule 77 be amended by striking out the words "of Ways and Means," and inserting in lieu thereof the words "on appropriations."

A landmark report by a select House rules committee resolves to streamline Ways and Means in 1865 by creating separate standing committees on appropriations and on banking and currency. The excessive workload of Ways and Means during the Civil War made the need for divided duties clear. Aging Chairman Thaddeus Stevens may have agreed to split Ways and Means to silence opponents growing dissatisfied with his desire to control Reconstruction and with his leadership in general. On March 2, little more than a month before the Civil War ended, the new committees were created. Ways and Means retained jurisdiction over revenue matters, principally taxes and tariffs, a function the committee continues to exercise today.

"to keep scalwags out." Colonel B. C. Tilghman, commanding officer of a regiment of black troops, requested that his men receive a clothing allowance equal to that allocated to white soldiers. Tilghman pointed out that nine of his men killed in battle died owing the government money for their clothing and therefore forfeited pensions for their families. Other requests for appropriations were less obviously justified, such as that of President Lincoln's private secretary, John Nicolay, for the cost of a horse and carriage used to deliver messages.⁴⁴

Many items, though necessary, were equally as minor as the matter of Nicolay's carriage. It is ironic, but nonetheless a central reality of legislative procedure, that a committee confronted with the

problems of financing a war to save the Union would be compelled to consider the Capitol gardener's request for an extra horse and cart, or the Commissioner of Public Buildings' recommendations for repairs to the roof of the Library of Congress in the Capitol. Even a request for the committee to visit the Government Hospital for the Insane for dinner may not have provided a welcome respite. Whether important or trivial, all of these matters demanded the committee's attention. This diverse and demanding workload formed, if not the primary reason, at least the context within which the committee was split.⁴⁵

Thaddeus Stevens' desire to control Reconstruction and the growing dissatisfaction of some Republicans and Democrats with his leadership may well have been another reason behind the decision to divide the Committee of Ways and Means. With the war virtually won in early 1865, the chairman's thoughts turned to the procedure by which the rebellious states would return to the Union. He was determined that Congress, not the President, would set the terms under which the seceded states would be readmitted to the Union. In order to maintain his control over the party, Stevens may well have agreed to split his committee both to appease his opponents and to provide his loyal lieutenants with their own power bases. In any event, dividing the committee's functions would allow him more time to devote to Reconstruction policies.

Toward the end of the second session of the Thirty-eighth Congress in early 1865, the committee had fallen far behind in its work. It was not able to report a tax bill until less than a month remained in the session, and then the bill did not provide all of the revenues requested by the Secretary of the Treasury. Samuel S. "Sunset" Cox, an Ohio Democrat working with a number of younger Republican members, initiated a movement to break up the Committee of Ways and Means in order to weaken Stevens' power in the House leadership. James F. Wilson (R-IA), taking advantage of the committee's failure to keep up with its workload, introduced a proposal in mid-January to revise the House rules in order to divide the committee.⁴⁶

The debate over the rules revision bore all the signs of a carefully orchestrated effort to protect the reputations of Stevens, Morrill, and the Committee of Ways and Means. Cox asked that the House take action on the report of the Select Committee on Rules recommending the creation of standing committees on appropriations and on banking and currency. Cox presented a detailed argument in favor of the report, emphasizing that the Committee of Ways and Means had been overworked, but denying that the split was in any way a criticism of the committee or of its leadership. He denied that the action "cast any reflection upon the Committee of Ways and Means," stating that "Each member of the Ways and Means has his specialty—each Olympian." Yet, he continued, "even their powers of endurance, physical and mental, are not adequate to the great duty which has been

imposed by the emergencies of this historic time." The Ohio Democrat concluded his remarks with a detailed listing of the 126 bills reported by the committee in the previous two Congresses as fitting proof that it was overburdened.⁴⁷

Stevens and Morrill both affected an air of indifference over the proposed division. "I do not feel any interest in the matter at all," the chairman stated. He would not oppose any action the House chose to take. He did express some doubts about separating the revenue and appropriations functions, though with no great sense of conviction. Morrill likewise questioned the propriety of dividing the jurisdiction over revenue from that over appropriations. "In ordinary times . . .," he stated, "I should deem it indispensable . . . that this committee should have the control of both subjects, in order that they might make both ends meet."⁴⁸ Both men protested just enough for the sake of appearance, but not enough to change the outcome.

James Garfield, a Republican from Ohio, presented what may be considered the concluding speech in this scenario. Garfield argued that revenue and appropriations were "quite distinct in their nature," and could easily be divided between two committees. The Committee of Ways and Means could base its revenue estimates easily enough upon the Committee on Appropriations' estimates of government expenditures. Garfield concluded by repeating Cox's assurance that the action, since it applied to future Congresses, did not imply any criticism of the current committee. With the Committee of Ways and Means' reputation appropriately recognized and reassured, the House adopted the rules revision.⁴⁹

For such a monumental change in the committee's jurisdiction, the split into three committees had occasioned little debate and even less opposition. The degree to which the action had been predetermined was indicated when Speaker Colfax named the standing committees of the Thirty-ninth Congress in December 1865. Morrill was named to chair the Committee of Ways and Means, and Stevens was appointed to chair the Committee on Appropriations. Both actions had been outlined in Cox's speech on March 3. Theodore Pomeroy (R-NY) was named to chair the Committee on Banking and Currency, although Cox had anticipated that Samuel Hooper of Massachusetts would receive that honor. Hooper, however, was the only member appointed to both the Committee of Ways and Means and the Committee on Banking and Currency.⁵⁰

The jurisdiction of the Committee of Ways and Means may have been diminished, but its prestige remained intact. A contemporary account of the Thirty-ninth Congress observed that the committee "has ever been regarded of the first importance." The committee's control over revenue bills, this author concluded, "gives the Committee of Ways and Means a sort of preeminence over all other committees, whether of the Senate or the House."⁵¹

MILESTONES IN THE HISTORY OF THE COMMITTEE
1861-1865

- 1861 Thaddeus Stevens (R-PA) appointed chairman
The committee appointed Justin S. Morrill (R-VT) to chair a subcommittee on taxation; Elbridge G. Spaulding (R-NY) to chair a subcommittee on currency and loans
Revenue Act of 1861 provided for a 3 percent tax on incomes above \$800, but it was never enforced
- 1862 Legal Tender Act authorized Treasury Department to issue paper currency known as greenbacks
Internal Revenue Act levied a tax on incomes
Tariff of 1862 raised additional revenue by raising protective rates of Morrill Tariff of 1861
- 1864 Income and Inheritance Tax Act increased income tax rates
Income Tax Surcharge imposed an additional 5 percent tax on incomes for 1863
Tariff of 1864 further raised protective rates an average of 10 percent
- 1865 The House revised rules to restrict the jurisdiction of the Committee of Ways and Means to the major area of revenue by creating separate standing committees on appropriations and on banking and currency

Conclusion

The Thirty-seventh and Thirty-eighth Congresses marked the first major turning point in the history of the Committee of Ways and Means. In one sense, the trend toward centralization of the House's legislative authority over finance in this one standing committee reached its greatest development between 1861 and 1865, as the extraordinary wartime conditions led to fundamental changes in the federal revenue and currency system. The committee devised the means to raise revenues for vastly increased wartime expenditures not only by increasing the tariff, authorizing bonds, and imposing excise taxes, but also by the unprecedented levy of a tax upon incomes. Moreover, paper currency in the form of greenbacks was authorized to meet the demand for a circulating medium of exchange.

A significant corollary to the committee's success was the role of the chairman as the *de facto* majority leader of the House. Thaddeus Stevens consolidated the position to a degree unmatched in the antebellum period. His friendship with Treasury Secretary Chase, and Lincoln's lack of involvement in financial administration, lessened the occasion for conflict between the committee and the executive. The

committee's dealings with the Lincoln Administration, therefore, were relatively harmonious, even though the relationship between Congress and the executive reached new heights of tension and bitterness that would culminate with the impeachment of Andrew Johnson in 1868.

The committee's internal organization also reached an unprecedented degree of sophistication. Subcommittees were formed to handle the major jurisdictional areas of revenue and banking and currency. Their formation allowed not only for greater expertise, but also for greater efficiency as the committee's workload intensified under the demands and pressures of war. These bodies were a sign of the institutional maturation that would continue in the postwar period with the routine use of hearings and the origins of the seniority system. Yet, for the Committee of Ways and Means, they also pre-figured the division of the committee at the end of the war.

The war years marked a turning point in a second fundamental sense because the House rules were revised in 1865 to divide the committee's authority over finance with the creation of two new committees. The breakup of the committee was motivated by pragmatic and political reasons, rather than by philosophical or procedural considerations. The workload was too great for one nine-member body; furthermore, in the minds of many members, too much power was concentrated in the hands of Thaddeus Stevens. The result was that the control over finances in the House was decentralized among three committees. From 1865 on, the Committee of Ways and Means would be confined to the major jurisdictional area of revenue.

