Historical Background

By early June 1861, ten additional slave States had followed South Carolina into secession, and a convention of seceding States met in Montgomery, Alabama, to form a new government, the Confederate States of America.

Although compromises continued to be proposed, neither the North nor the South really believed that they could agree to any further modification of their principles. President Abraham Lincoln insisted in his inaugural address on March 4, 1861, that the Union was older than the Constitution, no State could of its own volition leave the Union, the ordinances of secession were illegal, and acts of violence to support secession were insurrectionary or revolutionary. If force were necessary to preserve the Union, he would employ it. Future Confederate President Jefferson Davis held that the Southern States, as sovereign States, had the right to self-determination. After the Confederates bombarded Fort Sumter on April 12-13, reconciliation was no longer possible.

On April 15, 1861, President Lincoln issued a public declaration of an insurrection and called for 75,000 volunteers to join the militia and stop the rebellion. As a result, an additional four southern states – Virginia, Arkansas, Tennessee, and North Carolina – secede from the Union. Additionally, during the first eight weeks of the Civil War, before Congress convened on July 4, 1861, Lincoln ordered a blockade of all Southern ports, enlarged the navy and the regular army, and removed funds from the Federal Treasury to cover initial war expenses - all without congressional authorization.

Once Congress assembled, it quickly moved to support the measures Lincoln had already taken. On July 17, Congress passed an act authorizing the Secretary of the Treasury to borrow $250,000,000 during the next twelve months. Two laws subsequently passed: the first Federal Income Tax and the Legal Tender Act (permitting the printing of large amounts of paper currency). They provided additional funds for the financing of the Union war.

In approving the First Confiscation Act of August 1861, Congress freed those slaves who had been used by the Confederates either in labor or arms. Lincoln’s preliminary Emancipation Proclamation, which was presented to his Cabinet in September 1862, and the Emancipation Proclamation of January 1863 established the emancipation of Southern slaves as a major Presidential war aim. With the Second Confiscation Act, approved in July 1862, Congress set forth its own anti-slavery sentiments.

Early in March 1863, Congress approved acts which authorized the President during the War to suspend the writ of habeas corpus in any case where he felt it necessary, and a conscription which was to apply to all males between the ages of 20 and 45.

Other major pieces of legislation enacted by the 37th Congress, unrelated to the fighting, financing of the war or with slavery, included the Homestead Act, enacted May 1862, the Morrill Land-Grant College Act, the Union Pacific Railroad Charter, and the first of two antipolygamy laws, all of which were approved early in July 1862. In addition, Congress enacted the Department of Agriculture Act, establishing the eponymous cabinet-level department, in May 1862, and the act establishing the National Academy of Sciences in March 1863.

Source:

Lincoln, Abraham. Message of the President of the United States to the two Houses of Congress, at the commencement of the first session of the Thirty-seventh Congress. Senate, July 5, 1861. 37th Congress, 1st Session, S.exdoc.1/1. ProQuest Congressional, 1112 S.exdoc.1/1

Lincoln, Abraham. Message of the President of the United States to the two Houses of Congress at the commencement of the second session of the Thirty-seventh Congress. Senate, Dec. 3, 1861. 37th Congress, 2nd Session, S.exdoc.1/1. ProQuest Congressional, 1117 S.exdoc.1/1

Lincoln, Abraham. Message of the President of the United States to the two Houses of Congress at the commencement of the third session of the Thirty-seventh Congress. House, Dec. 1, 1862. 37th Congress, 3rd Session, H.exdoc.1/1. ProQuest Congressional, 1156 H.exdoc.1/1

War or Peace?

American Civil War
Within three months of Lincoln’s election at the end 1860, seven states of the lower South pulled out of the Union and formed a new government, the Confederate States of America, with Jefferson Davis as president. In President Lincoln’s inaugural speech, he vowed to uphold the law and maintained that the secession was an illegal act. On April 12, 1861, the Confederates ignited the tinder by firing on Fort Sumter, a federal fort that Lincoln tried to resupply in Charleston Harbor, South Carolina. When Lincoln
subsequently called for 75,000 volunteers on April 15 to put down what he termed the ‘insurrection,’ four states of the upper South with half as many slaves as those already gone - Virginia, North Carolina, Tennessee, and Arkansas – responded by seceding to join the Confederacy in May. Before Congress reconvened, Lincoln ordered a blockade of all Southern ports and called for an additional 45,000 volunteers to join the Union army. While, Lincoln hoped for a quick victory, the first major battle of the war, the Battle of Bullrun (First Battle of Manassas), proved the Confederacy would not be easily suppressed. In May 1861 Union troops crossed the Potomac River from Washington to capture Alexandria, Virginia. However, while General Irwin McDowell initially succeeds in driving back Confederate forces, the arrival of additional southern soldiers initiated a series of retreats and ultimately forced Union troops to flee back to the defenses of Washington. It is here that the Confederate General Thomas J. Jackson earns his nickname ‘Stonewall’ Jackson for his bravery and tenacity during battle.

As the war continued into 1862, the Confederacy fared well in the eastern theatre: Confederate General Thomas J. ‘Stonewall’ Jackson beat three Union armies in the Shenandoah Valley in May, and then in June joined the Confederate Army of Northern Virginia’s new commander, Robert E. Lee, who severely compromised General George B. McClellan’s large army at Richmond, forcing a retreat. On August 29 – 30, Confederate and Union troops met again near Manassas, Virginia, at the Second Battle of Manassas, leading to a second victory for the South on the same ground.

On September 17th, however, General McClellan lead the Union Army to a strategic victory at Antietam, Maryland, stopping General Lee’s first invasion of the North and leading President Lincoln’s issuance of the preliminary Emancipation Proclamation. During the twelve-hour-long Battle of Antietam, 23,000 soldiers were either killed, wounded or missing, making it the bloodiest single-day of combat in American history. When McClellan refused to pursue Lee’s army into Virginia, however, Lincoln replaced him with Ambrose Burnside, who ultimately led thousands of Union soldiers in a suicidal frontal assault against Lee’s well-entrenched troops at Fredericksburg, Virginia, in December.

In the West, more successful Union forces succeeded in dominating important transport routes along the Tennessee and Cumberland rivers (Battle of Mill Spring, Surrender of Fort Henry, Battle of Roanoke Island, Surrender of Fort Donelson, Battle of Pea Ridge, and Battle of Shiloh) and occupying New Orleans between January and April. Still, Union losses helped Lincoln’s Democratic opponents in the 1862 elections, many of whom urged for a negotiated peace. However, the victory at Antietam provided Lincoln the opening he needed to issue the Emancipation Proclamation in January 1963, striking at the South’s infrastructure and discouraging European powers from recognizing the Confederacy.

**Dakota War of 1862**

As the United States organized the Minnesota territory in the early-1850s, the government negotiated treaties with the resident Dakota that were to set
aside territory along a stretch of the Minnesota River as a reservation for the Dakota and arrange a scheme by which the government was to provide periodic payments in monies and goods to the Dakota. During the ratification process, however, the Senate excised or substantially altered the provisions establishing reservations for the Dakota. Moreover, the Office of Indian Affairs’ policy was to tender payments to traders who conducted business with the Dakota rather than pay the tribes directly, multiplying the opportunities for corruption and outright theft. The granting of statehood to Minnesota in 1858 caused the situation to deteriorate further; territories once reserved for the Dakota were organized into settlement parcels, forcing the Dakota into smaller patches of land in areas with little wildlife and infertile soil.

Facing starvation, the Dakota were in crisis. On August 17, 1862, a Dakota hunting party set upon a group of five settlers, killing them. Then, a tribal council determined to attack white settlements in the area, hoping to drive them from their territory. Throughout the remainder of the summer and into the autumn, Dakota attacks on settlements and military outposts continued. With the Army preoccupied with the Civil War, the Dakota enjoyed a series of early successes, though when reinforcements finally arrived in September, the tables quickly turned and by the end of the month, most of the Dakota leaders had surrendered. Many of the leaders were tried for the murder of settlers and executed and the Dakota were forcibly ejected from Minnesota to reservations in South Dakota and Nebraska.

Source:
Lincoln, Abraham. *Message of the President of the United States to the two Houses of Congress, at the commencement of the first session of the Thirty-seventh Congress*. Senate, July 5, 1861. 37th Congress, 1st Session, S.exdoc.1/1. ProQuest Congressional, 1112 S.exdoc.1/1
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Lincoln, Abraham. *Message of the President of the United States to the two Houses of Congress at the commencement of the third session of the Thirty-seventh Congress*. House, Dec. 1, 1862. 37th Congress, 3rd Session, H.exdoc.1/1. ProQuest Congressional, 1156 H.exdoc.1/1

### Economic Trends and Conditions

The vicissitudes of war resulted in an increased need for resources and materiel, which was compounded by the inevitable interruptions of the Federal Government’s traditional revenue streams. The Treasury thus found itself in a position in which revenue shortfalls must be met by some combination of increased duties on certain commodities, direct taxes and borrowing, resulting in, among other measures, the passage of the first Federal Income Tax in August 1861.

Budgetary shortfalls notwithstanding, the Northern economy reached new levels of productivity during the war, while the Southern economy languished. Built on modern principles of the organization of resources, Northern growth pointed to the country’s future in factories and railways.
Before the war, Southern obstruction in Congress made it difficult to pass progressive efforts to modernize the U.S. economy and financial system and connect the industrial northeast to the rest of the rapidly growing country. But the absence of Southern legislators during the war provided Republicans in the 37th Congress an opportunity to pass progressive economic measures that became the blueprint for modern America.

The Homestead Act of 1862 grew out of the Free Soil movement of Northern Republicans who advocated for small-scale, individual farmer-landowners, over the Southern large plantation model that relies on slave labor, and for that reason earlier attempts to pass homesteading legislation were vigorously opposed by Southern legislators. The Act provided applicants with 160 acre plots of land to develop and farm. The land would be deeded to the homesteaders provided they lived on it and improved it for a period of five years. Related to the Homestead Act is the Morrill Land-Grant College Act, which gave Federally-controlled land to states for the purposes of establishing and endowing public universities that focused on engineering and agricultural education.

The National Bank Act established a system of national banks to introduce a standard paper currency to mitigate the problems associated with multiple notes issued by multiple banks. The Act established national banks that were authorized to issue paper currency backed by the United States Treasury in amounts proportional to the capital deposited by each bank.

This legislation helped concentrate capital, protect industries with tariffs, subsidize transport of goods, and improve the nation's monetary and credit structure and, with the Pacific Railroad Act, provided the transportation infrastructure to facilitate the modernization of the new industrial economy. Ironically, at the same time the war registered a victory for free labor, it also served as a catalyst for a class-conscious labor movement of wage earners who viewed a free-labor ideology of competitive individualism and upward mobility as outmoded.

Sources:


Chase, Salmon P. *Report of the Secretary of the Treasury, on the finances, containing estimates of the public revenue and public expenditures, and plans for improving and increasing the revenue*, Department of Treasury, July 4, 1861. 37th Congress, 1st Session, S.exdoc.2. (T1.1:861) ProQuest Congressional, 1112 S.exdoc.2

**1861 Events**

- **Jan.:** *American Civil War* - Following South Carolina's secession in December, six additional states, Mississippi, Florida, Alabama, Georgia, Louisiana, and Texas, seceded from the United States
- **Jan. 29:** *Kansas is admitted (the 34th State) with a constitution prohibiting slavery*
• Feb. 4: American Civil War - Washington Peace Conference held at the Willard Hotel in D.C. in an effort to preserve the Union and avert war; Jefferson Davis is appointed as President of the nascent Confederate States of America

• Feb. 8-9: American Civil War - The Confederate States of America are formed from all the states that succeeded from the Union

• Mar. 4: American Civil War - President Abraham Lincoln succeeds former President James Buchanan

• Apr. 12-13: American Civil War – Southern forces bombard of Fort Sumter, South Carolina, formally beginning the American Civil War

• Apr. 15: American Civil War – President Lincoln issues a public declaration of insurrection and calls for 75,000 volunteers to join the militia and stop the rebellion

• Apr. 17: American Civil War – Virginia secedes from the Union

• May 3: American Civil War – Lincoln calls for an additional 43,000 volunteers, expanding the size of the Regular Army

• May 6: American Civil War – Arkansas secedes from the Union

• May 13: American Civil War – Queen Victoria of England recognizes the Confederate States of America states with belligerent rights and declares the U.K.'s neutrality in the conflict

• May 20: American Civil War – North Carolina secedes from the Union

• June 8: American Civil War – Tennessee secedes from the Union

• June 15: Benito Juárez is formally elected President of Mexico

• July 21: American Civil War - The First Battle of Bull Run, also known as the Battle of Manassas, takes place in Price William County, Virginia, ending in a decisive Confederate victory

• July 25: American Civil War - U.S. Congress passes the Crittenden-Johnson Resolution, stating the war is being fought to preserve the Union

• Aug. 5: American Civil War - U.S. Congress passes the first income tax to raise money for war funds

• Sept. 3: American Civil War - Confederate troops invade neutral Kentucky, prompting the state to ask the Union for help

• Oct. 24: The HMS Warrior is commissioned, the first iron-clad warship

• Nov. 6: American Civil War - Jefferson Davis is officially elected President of the Confederate States of America

1862 Events

• Jan. 6: Second Franco-Mexican War – French, Spanish, and British soldiers arrive in Veracruz, Mexico, sparking the Second Franco-Mexican War

• Jan. 19: American Civil War – Battle of Mill Springs, Kentucky – Union victory weakened Confederate hold on the state

• Feb. 6: American Civil War – Surrender of Fort Henry, Tennessee – Union victory allowing Union control of the Tennessee River
Feb. 8: American Civil War – Battle of Roanoke Island, North Carolina – Union victory resulting in Union occupation of eastern NC
Feb. 16: American Civil War - Surrender of Fort Donelson, Tennessee – Union victory allowing Union control of the Cumberland River
Mar. 9: American Civil War - The USS Monitor and CSS Virginia do battle, in the first battle between iron-clad war ships
Mar. 31: The first two volumes of Victor Hugo’s French historical novel Les Misérables are published
Apr. 6-7: American Civil War – Battle of Shiloh, Tennessee – Union victory further securing the career of General Ulysses S. Grant
Apr. 29: American Civil War – Union Army captures New Orleans
May 6: American author and philosopher Henry David Thoreau dies
Apr. 1: Second Franco-Mexican War – Spanish and British troops end their alliance with France
May 11: American Civil War – The CSS Virginia is sunk in the James River, near Norfolk, Virginia
June 12: Kansas Secretary of State John Winter Robinson becomes the first public official in U.S. history to be impeached and removed from office, following his part in a bond scandal
June 25 – July 1: Seven Days Battles fought near Richmond, Virginia
July 1: The Bureau of Internal Revenue is established in the U.S.
Aug. 17: Dakota War of 1862 – Lakota Sioux tribal members attack and kill white settlers in Minnesota, marking the beginning of the conflict
Sept. 17: American Civil War – Battle of Antietam, Maryland - Union troops defeat Confederate troops during the Battle of Antietam, marking the bloodiest day in U.S. history, with 23,000 total casualties
Nov. 5: Dakota War of 1862 – more than 300 Santee Sioux tribesmen were sentenced to death after being found guilty of the rape and murder of white settlers in Minnesota
Dec. 31: West Virginia is admitted into the Union, forever rending Virginia into two separate states

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"An Act to provide Internal Revenue to support the Government and to pay Interest on the Public Debt." (12 Stat. 432, Chap. 119; July 1, 1862). ProQuest Congressional
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Sumner, Charles. Resolution on relations between United States and territory of seceded States. Senate, Feb. 11, 1862. 37th Congress, 2nd Session, S.misdoc.45. ProQuest Congressional, 1124 S.misdoc.45

Welles, Gideon. Letter of the Secretary of the Navy, in answer to a resolution of the Senate of the 22d ultimo, transmitting the official reports and documents connected with the recent engagements on the Mississippi River, which resulted in the capture of Forts Jackson, St. Philip, and the City of New Orleans, the destruction of the rebel flotilla, &c. Department of Navy, June 6, 1862. 37th Congress, 2nd Session, S.exdoc.56. ProQuest Congressional, 1122 S.exdoc.56

**Major Acts**

**First Federal Income Tax.** Instituted a direct tax of $20 million on real estate apportioned among the various States, imposed customs and duties on certain classes of imports, and inaugurated the first national income tax, which imposed a 3 percent tax on annual incomes in excess of $800. Approved Aug. 5, 1861. ([12 Stat. 292, Chap. 45](http://example.com/12Stat.292.Chap.45))

**Confiscation Act of 1861.** Provided for the emancipation of slaves employed in arms or labor against the Government of the U.S. Approved Aug. 6, 1861. ([12 Stat. 319, Chap. 60](http://example.com/12Stat.319.Chap.60))

**Legal Tender Act.** Authorized the issuance of $150 million in paper currency known as "greenbacks" as legal tender for the payment of debts. Approved Feb. 25, 1862. ([12 Stat. 345, Chap. 33](http://example.com/12Stat.345.Chap.33)) Certain provisions of this Act were subsequently held unconstitutional in Hepburn v. Griswold, 8 Wall. (75 U.S.) 603 (1870)

**Department of Agriculture Act.** Established the Department of Agriculture to diffuse among the people of the United States useful information on subjects connected with agriculture. Provided for the appointment of a Commissioner of Agriculture and specified his duties. Department obtained Cabinet status in 1889. Approved May 15, 1862. ([12 Stat. 387, Chap. 72](http://example.com/12Stat.387.Chap.72))

**Homestead Act.** Promoted western agricultural expansion by providing a maximum of 160 acres of public lands, at $1.25 an acre, to any citizen over
21 years of age, or to the head of a family, who occupied and improved the land for five continuous years. Approved May 20, 1862. *(12 Stat. 392, Chap. 75)*

**Internal Revenue Act of 1862.** Created the Bureau of Internal Revenue as well as the office of the Commissioner of Internal Revenue in order to prepare procedures for the assessment and collection of duties and taxes. Allowed the President to divide the states and territories of the United States into collection districts. Increased taxation and implemented the first federal income tax. Approved July 1, 1862. *(12 Stat. 432, Chap. 119)*

**Union Pacific Railroad Charter.** Authorized the Union Pacific Railroad to build westward from the 100th meridian across the Rocky Mountains and authorized for the Central Pacific to proceed eastward across the Sierra Nevadas, with the connection to be made at the California-Nevada border. Granted to each railroad a 400-foot wide right of way and five alternate sections of land on each side of line for every mile of track laid. Provided for a U.S. first mortgage loan to railroad companies of $10,000 in U.S. 6 percent bonds for every mile of track built on the plains, $32,000 a mile in hilly terrain, and $48,000 in the mountains. Approved July 1, 1862. *(12 Stat. 489, Chap. 120)*

**Antipolygamy Act.** Provided for the punishment of any person who practiced polygamy in the territories of the United States, or any other place over which the United States had exclusive jurisdiction. It further disapproved and annulled certain acts of the Legislative Assembly of the Territory of Utah. Approved July 1, 1862. *(12 Stat. 501, Chap. 126)*

**Morrill Land-Grant College Act.** Granted each loyal State 30,000 acres of the public domain for each of its Senators and Representatives then serving, the proceeds of the sale of which were to be invested by the States in bonds for the purpose of endowing at least one college which would have as its primary function the teaching of "agricultural and mechanical arts." None of the money was to be used to erect buildings, the States were obligated to replace any money lost, and the institutions were to provide instruction in military tactics—the basis of the future ROTC program. No more than one million acres of land grants could be located in any one State. Approved July 2, 1862. *(12 Stat. 503, Chap. 130)*

**Tariff Act of 1862.** Dramatically raised the rates of the Morrill Tariff Act of 1861 to offset new internal revenue taxes. Approved July 14, 1862. *(12 Stat. 543, Chap. 163)*

**Confiscation Act of 1862.** Declared free the slaves of all persons engaged in the rebellion, authorized the Government to employ African-Americans to engage in combat against the rebellion, to confiscate rebel property, and to colonize in some "tropical country" outside the United States those liberated slaves who wished to emigrate. Approved July 17, 1862. *(12 Stat. 589, Chap. 195)*
**National Bank Act of 1863.** Established a National banking system, the member banks of which were required to invest one-third of their capital in U.S. securities. These securities could then be used as the basis for issuing national bank notes as currency to the public. Approved Feb. 25, 1863. ([12 Stat. 665, Chap. 58](https://www.loc.gov/item/98013544/))

**Conscription Act.** Established a national system for drafting all able-bodied males between the ages of 20 and 45 years of age, with certain exceptions. Approved Mar. 3, 1863. ([12 Stat. 731, Chap. 75](https://www.loc.gov/item/98013544/))

**Habeas Corpus Act.** Gave congressional sanction to the actions taken by President Lincoln in April 1861, by authorizing during the war the suspension of the privilege of writ of habeas corpus in any case throughout the United States or any part thereof. Approved Mar. 3, 1863. ([12 Stat. 755, Chap. 81](https://www.loc.gov/item/98013544/)) Certain provisions of this Act were subsequently held unconstitutional in *The Justices v. Murray*, 9 Wall. (76 U.S.) 274 (1870)

**National Academy of Sciences.** Incorporated the National Academy of Sciences for the investigation, experimentation, and reporting on the subjects of arts and sciences for the Federal Government. Approved Mar. 3, 1863. ([12 Stat. 806, Chap. 111](https://www.loc.gov/item/98013544/))

Sources:


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