

THE ECONOMICS OF THE UNION DRAFT: INSTITUTIONAL FAILURE AND GOVERNMENT MANIPULATION OF THE LABOR MARKET DURING THE CIVIL WAR*

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ABSTRACT

The Civil War is still the bloodiest of all wars in which the United States has fought. The number of men who died and the reduction in the labor force had profound effects on the economy for years. In this paper we examine the methods used by the Union Government to procure a fighting force. We argue that institutional failure by the Union Government to raise and put into battle a sufficient number of men in the early years of the war prolonged the inevitable. Had the North either raised the wages of soldiers or created an effective draft, which for various institutional reasons it did not do until late in the war, fewer lives would have been lost and the war would have come to an end sooner.

I. Introduction

The role of institutions in the functioning of an economy has been a major topic of economic historians in recent years. Indeed, the work of Douglass North (1990) and others has shown that just as efficient and effective institutions can be a catalyst for growth and increased welfare, ineffectual and poorly functioning institutions can lead to less desirable outcomes in an economy. In this paper we look at the Union Army's difficulty in raising and utilizing a sufficient number of soldiers in the early years of the Civil War.

Virtually no work has been done on how the Union Army recruited and secured enough men from the labor force to fight a war against the Confederate States.¹ In this paper we look at the blend of market and non-market forces that the Union Government used to raise the nearly two and three-quarters million men needed to fight the war and consequently what incentives were created by the unique ways in which soldiers were asked to serve.

Just as it had in the past, the Union Army relied initially on volunteers. However, the volunteer market dried up after about twelve months. Both the Department of War and Congress were faced with two choices: raising the wage offered or creating a draft. The choice was made and for the first time a draft would be held on the North American

Continent. As a result there were a number of oddities in the first drafts (in all there was a total of five Union drafts). These oddities included allowing draftees to pay substitutes to serve in their place and allowing local towns to pay extra bounties (or bonuses) to soldiers to encourage enough "volunteers" so that the town would meet its quota. The effects of using these, and other, techniques are analyzed using a unique micro-level data set of nearly 3000 Union Army soldiers from Massachusetts. With this data we analyze the factors determining the price that each town government had to pay to encourage enough soldiers to volunteer to meet their quota in the required amount of time.

From this basic analysis of the market for soldiers we then go on to analyze the more intricate features of the system and the impact that certain policies had on the market. For instance, the Union government placed price ceilings on both the amount of commutations *and* the amount a soldier could pay for a substitute. We analyze these price ceilings which, not surprisingly, caused great unhappiness among those who would have been the beneficiaries of the higher market-driven prices. Among several possible consequences of the price ceilings were those noted by the Civil War historian James McPherson. He has suggested, through qualitative research, that substitutes were typically younger and more likely to be agricultural laborers.²

We conclude that the techniques used to raise an army in the North and the weak institutional structure put in place to raise troops had profound effects on the local economies and quite probably prolonged the war because of the length of time it took to rally troops and because of the fairly common need to send troops to New England to quell draft riots. Had they simply allowed the wages of soldiers to rise or instituted a draft with fewer loopholes, the overall cost of the war could have been reduced substantially.

From here we begin by looking at the Union's early attempts to raise a sufficient Army, the institutional reasons behind the techniques used early on, and how those methods developed into the more complex system that was eventually put into practice.

II. The First American Attempts at Conscription

Although the North had a standing army it was not prepared for a long war. With only 16,367 regulars in the army in January of 1861 it was clear that more men were going to be needed. (see Table 1)³ Unfortunately, despite the fact that the threat of war had been evident since the inauguration of Lincoln, the new administration had not considered how they would increase the size of the military. President Lincoln started out by following the policy of former President Buchanan, which was to wait and see if the conflict worked itself out. In April of 1861, the attack on Fort Sumter made it clear that war was imminent. Congress was no longer in session and Lincoln did not feel, at the time, it was necessary to call a special session. He, therefore, did not have any legal means to increase the size of the standing army or call for volunteers. Instead he relied on the standing state militias and the Acts of 1795 and 1803. With these two acts President Lincoln called for 24 companies of militia, between April 9 and 16, to defend the Dis-

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trict of Columbia, plus 75,000 three-month militiamen, with which to attack the South.

Table 1: Composition of Military—January 1, 1861

	Present	Absent	Total
Commissioned Officers	727	371	1,098
Enlisted Men	13,930	1,374	15,304
Total	14,657	1,745	16,402

Source: James Barnet Fry; Report of the Provost-Marshal General Appendix, 1866.

This call was met with a positive response from the citizens of the Union. According to James McPherson, “the initial impulse came from what the French call *rage militaire*—a patriotic furor that swept [the] North ... in the weeks after the attack on Fort Sumter. Northern cities and towns erupted overnight into volcanoes of oratory and recruiting rallies.”⁴ It seemed, at least initially, that the people of the North were ready to defend the Union and the idea that the United States should remain united. However, a young man who enlisted in New York City, on April 15, 1861, summed up the first mistake the Union leaders made; “the feeling runs mountains high, and thousands of men are offering their services where hundreds only are required.”⁵ This first attempt at increasing the size of the Union Army did not take full advantage of the country’s willingness to fight. Despite the large number of people who were ready and willing to join the military, the government turned some people away due to the fact that they could not legally expand the regular forces and a volunteer force was not yet in existence. At the time, the military leaders also felt that they were not entering into a long-term war. They, therefore felt that they did not need, nor want, to pay “extra” volunteers. This would later cause problems as the war drew on. The patriotic furor began to diminish as word of mounting casualties became known and as a result potential soldiers were not as quick to enlist without serious thought.

On May 3, 1861, Congress was still two months away from reconvening and the Union Army was in need of more men. President Lincoln decided to act immediately and not to wait for Congress to meet on July 4, 1861, before calling for volunteers. With this rather bold step the Regular Army was increased by 22,714 men, and 42,034 volunteers were summoned.⁶ When Congress convened they actually went a step further than ratifying his actions. The Act of July 22, 1861 increased the number of volunteers to 500,000 and made arrangements for the organization and payment of the troops. Anyone who volunteered between May 3, 1861 and October 17, 1863 would receive a \$100 bounty (or bonus) in addition to the \$13 per month regular pay of a soldier.⁷ This bounty was paid at the end of the three year-term of service to prevent desertion.

When this act first went into effect there were many willing volunteers, but the call for 500,000 men was not filled. When the federal government realized that there were still not enough men enlisting, new methods of procuring men had to be found. The government, however, was wary of making any drastic moves toward federal control of

recruitment. So, on July 17, 1862 the first draft act in American history was signed by Lincoln. It was by no means a comprehensive draft law, for out of deference to the various local sensibilities it permitted state control and sought to revive, for one final time, the antiquated militia machinery. The act allowed the President to call out the militia for nine months and to set a quota for the number of men each state must send. States could then raise the men in whatever way they saw fit. Citizens became wary of a possible draft because of a clause that stated “[i]f by reason of defects in existing laws, or in the execution of them, in several States, or any of them, it shall be found necessary to provide for enrolling the militia and otherwise putting this act into execution, the president is authorized in such cases to make all necessary rules and regulations.”⁸ Therefore, the act gave the President some room to create policies necessary to make sure the army had enough men. Thus, it was now possible to call a draft, but the states could avoid the President’s intervention merely by focusing on the improvement of recruiting volunteers. The draft was not explicitly called for in this act and at first it was not even considered. In essence the act was used merely as a mild persuasion for the states to increase their recruitment activities. The act was not designed to grant any central authority to the federal government.⁹

It was when the federal government realized that the states were not going to fulfill their quotas without more pressure that the move was made towards greater federal supremacy. There had been a call for 300,000 volunteers made on July 2 and this was considered at the time to be an adequate amount. The returns from the July call, however, were not coming close to the quotas served. In addition, the Union’s forces were beginning to fall well below those of the Confederate States. These problems led the federal government to take the next step. On August 4, 1862, the War Department announced that there would be a draft seeking 300,000 men in addition to the 300,000 called to volunteer in July.

Since this would be the first time the federal government ever instigated a military draft in the United States, it was left up to the Secretary of War to determine the rules of such a draft.¹⁰ Although the federal government initiated the draft, the state governments carried out the workings of the draft in practice. On August 9, 1862, a five-part set of regulations was announced. The first part of the legislation said it was up to state governors to conduct the actual draft. Second, males between the ages of 18 and 45 were subject to the draft unless they qualified for one of many exemptions.¹¹ Third, a person could furnish a substitute in their place. Fourth, counties were the local center of the draft. Finally, the fifth rule said that officials elected by the state would conduct the draft.

This first attempt at a draft caused a major disturbance in the public. There were threats of draft riots and state governors complained that they did not have enough time to raise so many men. In actuality, the draft of 1862 never went into effect on a federal level because the President never required a draft. Twelve states did hold a state-level draft in order to fill their quotas, but because the government never enforced the draft strictly, the state drafts were not successful with less than 70,000 being drafted against a

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quota of 335,000. What appeared to be more successful, however, was the impact of the *threat* of the draft. This threat led 431,958 men to volunteer and 87,558 men to join the militia.

The winter of 1862-63 brought the first reconsideration of leaving the states in charge of the recruiting process. After the failures of the draft call of 1862, it became apparent that a general conscription plan, under federal authority, was the only option left to the federal government.¹² It was not until March 3, 1863 (nearly two full years after the firing on Fort Sumter) that an official draft act was established. Known as the Enrollment Act of 1863, this act was very similar to the plan announced in 1862, but with a few changes. This act shortened the age range of liable men, gave more specific criteria for those who were exempted, lengthened the time the draftee would serve, stated the exact procedure for enforcing the act, detailed the actual administration of the draft, and created a commutation fee of \$300 (which could be paid in lieu of actually fighting).

The pool of men liable to the draft was to "consist of all able-bodied male citizens of the United States, and all aliens who had declared on oath their intention of becoming citizens, between the age of twenty and forty-five."¹³ The Enrollment Act distinguished three separate classes of people who were exempt from the draft. This included men who were physically or mentally unfit for service as well as anyone who had been convicted of a felony, selected officials (including the Vice President of the United States, federal judges, and governors), and men who were sole supporters of aged parents or orphaned children.

The creation of the Enrollment Act lead ultimately to four federal drafts. While the basic characteristics were similar in each draft, the drafts were not identical. With each successive draft, laws were modified in an attempt to correct for the loopholes that the government discovered after the previous draft. However, each draft had essentially the same four players involved. There were the bounty men, the men who were drafted and found a substitute, the men who were drafted and paid the commutation fee¹⁴, and the men who were drafted and conscripted. The roles of the various men also changed as the war progressed.

The bounty men were the first to replace the patriotic volunteer. These men were considered volunteers, but they volunteered for a price. In addition to the Army wages and federal bounty of \$100, they received bounties from state governments and in some cases local governments as well. The bounties paid on the state and local levels differed from federal bounties because local bounties were nearly always paid up-front.¹⁵ This proved to be a major incentive for many people during the militia draft. In some cases people would receive more money than they could make in a year in their initial lump-sum payment. During the militia draft the incentive worked well in keeping most of the states free from a draft. One of the major problems of the state and local bounties, however, was the emergence of bounty jumpers. Since the payment was received before the men had to fight there was a huge incentive to take the money and desert. Local governments, however, were not overly concerned with this problem because they only

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wanted to say they had filled their quota. In a way there was a moral hazard problem between the state and federal governments that was reflected in the manner in which bounties were paid. States wanted credit for sending men, so paying up-front was rational. However, the federal government not only wanted volunteers, but they also wanted them to stay, thus, they developed a delayed payment scheme.

Bounties also set the stage for a competitive market between states. In areas of the country where worker's opportunity costs were high and in states where the available supply of men was low, bounties began to increase rapidly as final draft dates drew closer. Bounties increased as the war continued and prior to each draft. States would use higher bounties to lure the remaining men to their drafting district. Provost-Marshal General Fry in his final report said of the bounty system:

A plan of recruitment based upon the bounty system will necessarily be more expensive than any other and as a rule, produce soldiers of an inferior class; and although bounty is unquestionably calculated to stimulate recruiting, it does not always accomplish that object at the proper time. For when it is visible, as it was during the late war that in the anxiety to obtain recruits the bounties offered constantly increased, the men who intend to enlist at one time or another are induced to hold back, with the hope at a later day of receiving a higher compensation, and having to serve a shorter period.¹⁶

The first federal draft ran from July to October of 1863. Under the rules of this first draft, those who paid the commutation fee of \$300 were exempted from all future drafts as were those who provided substitutes. The commutation fee was attacked as a means for the rich to get out of the war. This disdain for the commutation clause was due to the fact that \$300 dollars was about a year's wages for most working men. In 1860, for instance, the approximate yearly wage for a farm laborer was \$164 while someone in a skilled occupation would receive approximately \$508 a year.¹⁷ By 1863, these yearly wages may have increased due to wage inflation and labor market tightening, still for the average farmer \$300 was a price they clearly could not pay. Lincoln, however, felt that the clause was not an economic constraint. He argued to keep the fee because he wanted to preserve the option of buying one's way out, plus without it he believed the substitution prices would soar. There was clearly a balancing act to be performed. He believed that the \$300 fee would allow people who really wanted or needed to stay at home at least the chance to remove themselves from the draft. At the same time, the Union needed soldiers so the price could not be too low.

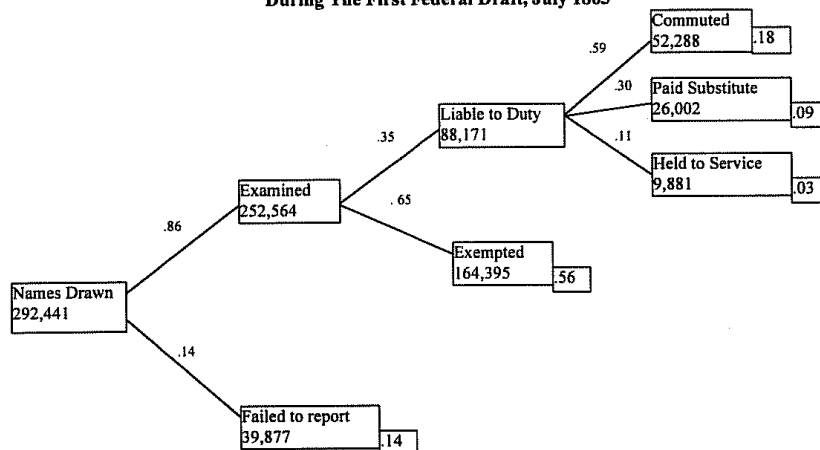
For this draft either paying a substitute or paying the commutation fee could be considered perfect substitutes. Therefore, the price of substitutes and the commutation fee should have been the same. This would make sense because if substitutes tried to ask for a price higher than \$300, people would prefer to pay the commutation fee. Likewise, substitutes would not ask for less than \$300 dollars because they knew they could get at least that much. In fact, according to Murdock most substitutes received three hundred

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dollars, although a few “naive” ones went for as little as \$250-\$150.¹⁸ Interestingly, throughout this draft anyone could be a substitute. The drafting officials made no consideration of the substitute’s liability for the draft.

Obviously, the main idea for having a draft was to procure more men for the Union forces. Looking at the numbers for the 1863 draft one can see that this first attempt was not at all successful. The Union was scarcely better off after the draft than it was before the draft garnering only 35,883 men in the process (see Figure 1). The fact that 52,288 men paid the commutation fee suggests that the \$300 commutation fee was not excessively high. Almost sixty percent of those who were considered eligible to fight chose to evade service by paying the commutation fee. According to Provost-Marshal General Fry, “the large proportion of exemptions defeated...the object of the law.”¹⁹ An interesting fact to consider is that while people were very concerned about being drafted and forced into service, the actual probability of having to serve was quite low. By comparing the proportion of men who were actually conscripted (held to service) to the number of names actually drawn, we can see that 292,441 names were drawn and of those only 9,881 were held to service. Therefore, the probability of actually going to war by conscription in this first draft given that your name was drawn was only about three percent.

Figure 1: Total Number of Men at Various Stages of Enrollment During The First Federal Draft, July 1863



Note: Numbers in boxes represent total men at that stage. Numbers between boxes represent the probability of moving to the next box. Endpoint nodes contain overall probability of drawee reaching that point on tree.
Source: Fry, Final Report 1866, 29, 174-175, 184-185

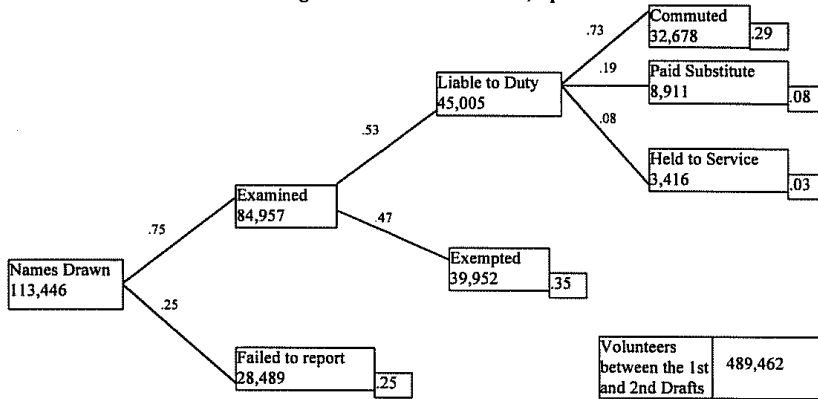
The second federal draft began in April 1864 and ran through July. With the exception of two new clauses, this second draft was identical to the draft in 1863. First, an amendment was added to limit substitution. The new clause stated that substitutes could now be secured only from exempt classes, for instance, boys under 20, men over 45, and foreigners.²⁰ The other amendment dealt with the commutation clause. The new clause stated that anyone who paid the \$300 exempted himself for this second draft *only*. This meant that for the next draft their name would be returned to the draft box, whereas,

providing a substitute *would* allow the draftee to remain out of the draft for the length of the substitute's service.

Another change to the system was that the federal bounty was increased in response to the commutation money received during the first draft. Starting with this draft a recent veteran would receive \$402 and non-veterans \$302. Although the bounties were increased the federal government still paid on an installment plan. The soldier would only receive \$60 of the bounty at the time of enlistment. The rest of the money was spread out over the time of service.

These changes were made in hopes of obtaining more men during the draft. This was not, however, what happened. With this draft only 12,327 men went to the front lines (see Figure 2). Despite the amendments to the Enrollment Act, commutation was again a problem in terms of enrolling enough soldiers. For this draft, 32,678 (or seventy-three percent) paid the \$300 to escape conscription. The question then becomes: why were people still opting for commutation?

Figure 2: Total Number of Men at Various Stages of Enrollment During The Second Federal Draft, April 1864



Note: see Figure 1
Source: see Figure 1

The clause limiting exemption to one draft for commutation payers seemingly removed the idea that paying the commutation and hiring a substitute were perfect substitutes. At first glance finding a substitute looks like the better deal. There are, however, two reasons why this might not have been the case. First, it was generally felt that this war was not going to go on as long as it did. Thus many believed this would be the last draft and the last time they would need to pay the \$300. Despite the aforementioned advantage of hiring a substitute over paying the commutation fee, the prices for substitutes remained at around \$300.²¹ This is because if the men who were interested in being substitutes raised their prices, poorer people would still opt for the commutation fee and hope there was no subsequent draft. While the rich, who could indeed afford to hire a substitute who decided to charge more than the \$300, would likely opt for the cheaper option of paying the commutation fee if they felt the probability of a subsequent draft

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was low. Effectively then, competition would drive the substitution fee down to the commutation rate.

If both commutation and substitution remained at \$300, it might be argued that substitution would appear the more sensible choice if one was liable to duty (since it would immunize the draftee from this and *possible* future drafts). This then leads to the second explanation of why there were so many people still paying the commutation. There was a lack of available substitutes. At a time when bounty payments were varying, some men were holding out to see if the price of bounties would increase higher than the offers of people seeking substitutes. In addition, most of the people willing to substitute at \$300 had already gone to war during the first draft. Again with this draft the probability of actually being forced to go to war by conscription was very low, only three percent of the total number of people drawn entered into the war as conscripts.

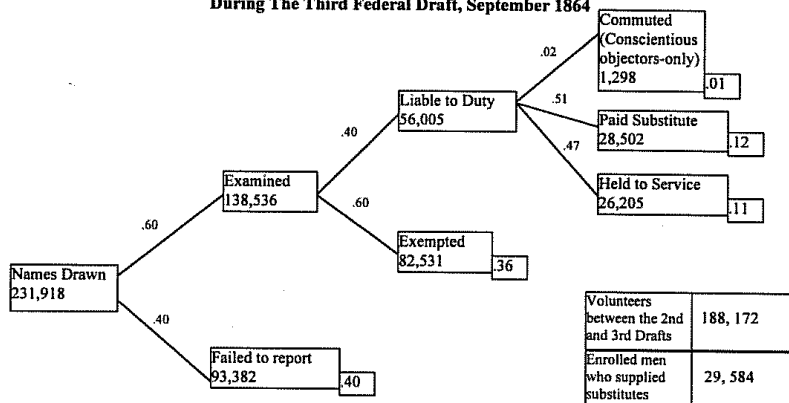
The third federal draft, which was called on July 18, 1864, but did not commence until September and subsequently ran through November, was run with two major changes in policy. One change dealt with the bounty money given to both substitutes *and* conscripts. The other change dealt with the commutation clause.

First, with this third federal draft, the government decided that substitutes and draftees would no longer get a federal bounty. Therefore, both drafted men and substitutes would receive only the \$13 per month pay. Substitutes, of course, also received the money provided by the drafted person who was seeking their services as a replacement. Second, Lincoln signed an amendment that repealed the commutation clause for all except conscientious objectors. With these changes in policy it was hoped that: 1) more people would volunteer to prevent being drafted and 2) if a draft was necessary the number of men who actually went would increase because the army needed men more than it needed money.

These changes in policy did not, however, provide a significant stimulus in terms of people volunteering to avoid the need for a draft. Only 188,172 men signed up between the call for the draft on July 18, 1864 and the start of the draft on September 5, 1864. The number of men drafted in this third federal draft was larger than the first two drafts, but not as high as the Union leaders had hoped. In terms of the previous two drafts, the third draft did a much better job of sending men to the front lines (See Figure 3). A total of 54,707 men went either as conscripts or substitutes, which was 6,497 more than the first two drafts combined. The problem, however, was that the combination of volunteers and draftees left the forces still more than 250,000 soldiers short of their goal. Once again the draft did not procure the number of soldiers desired. The repeal of commutation did have a major impact on the probability of actually being conscripted if your name was indeed drawn. During this draft the probability jumped to eleven percent. The cause of this increase was two-fold. The first was a shortage of men available for substitution. The second was that without commutation, prices for substitutes began to rise steadily.²² So now, not only was it hard to find people who were available to act as substitutes, but those who were willing were charging much higher fees. Thus, it appears

that Lincoln was right, that the commutation fee acted as a price ceiling on the price of substitutes.

Figure 3: Total Number of Men at Various Stages of Enrollment During The Third Federal Draft, September 1864



Note: see Figure 1.
Source: see Figure 1.

During the first two drafts substitutes were getting \$300, then, by the end of June, a few days before the repeal of commutation went into effect, substitutes were already asking and receiving double the original amount. By August of 1864 George Templeton Strong paid a “big ‘Dutch’ boy of about twenty,” \$1,100 to be his substitute.²³ In Columbus County, a mother decided to auction her son off as a substitute. The first bid was for \$100, but she held off until her son was later sent to war for the sum of \$1000.²⁴ Without commutation people were willing to pay a higher amount to stay out of the war. Also, since the substitutes and drafted men had lost the federal bounty they required more from the draftees who were seeking replacements.

An amendment made to the Enrollment Act on February 24, 1864 also affected the numbers associated with the third draft. Section 4 of this amendment stated:

That any person enrolled under the provisions of this act... may furnish, at any time previous to the draft, an acceptable substitute, who is not liable to draft, nor at the time in the military or naval service of the United States; and such person so furnishing a substitute shall be exempt from draft during the time for which such substitute shall have been accepted.²⁵

For the third draft, the first for which this amendment went into effect, 29,584 men supplied substitutes *before* their names were even called. These men were clearly anxious to stay out of the war. Since these men had provided substitutes prior to the draft their names were removed from the enrollment lists.

Section 5 of this same act also changed the people who could be substitutes.

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Any person drafted into the military service of the United States may...furnish an acceptable substitute...that if such substitute is not liable to draft, the person furnishing him shall be exempt from draft during the time for which such substitute is not liable to draft, not exceeding the term for which he was drafted; and if the substitute is liable to draft; the name of the person furnishing him shall again be placed on the roll and shall be liable to draft on future calls, but not until the present enrollment shall be exhausted; and this exception shall not exceed the term for which such person shall have been drafted.²⁶

Once again anyone could be a substitute, but unlike the original draft, if a substitute was liable to the draft or became liable during his service, the man who furnished him would once again become eligible for the draft.

On December 19, 1864, President Lincoln made another call for 300,000 men. At this time the Confederacy was beginning to lose ground but Lincoln did not want to rely solely on the troops he had. He set February 15, 1865 as the date for this fourth draft to begin. Once again states asked for postponements, thus the draft did not begin until March 1865 and was still in progress when the war ended. Unlike the previous three drafts there were no major policy changes made to improve this draft.

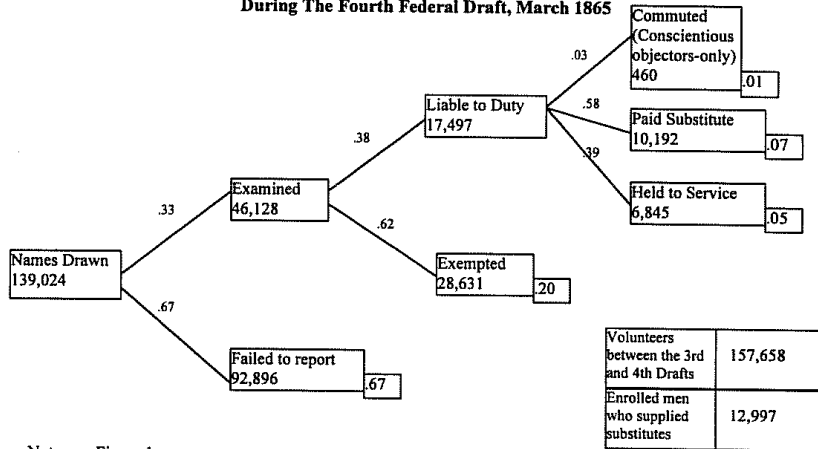
Although this draft was not completed before the end of the war, on April 9, 1865, the numbers were in line with the previous drafts. The threat of this draft was able to get more than half of the number called to volunteer (See Figure 4). A total of 157,658 men volunteered after the draft was announced, perhaps because they felt the war was nearly over and they would still be paid their bounties if they enlisted. Yet, at the same time 12,997 enrolled men found substitutes before the draft began which in turn made them ineligible for the draft. With this draft the substitute market was beginning to clear and the probability of being held to service if your name was drawn dropped back to five percent. The commutation fee was again only an option for those who claimed to be conscientious objectors. Including the pre-draft volunteers and substitutes 187,692 men were sent to the front lines. Similar to the previous drafts, this number was significantly lower than the desired number of men. However, this draft saw the end of the war and the end of the draft calls.

III. The Government's Non-Market Forces

Prior to the outbreak of the war, the market for soldiers was at equilibrium. The Army had essentially the amount of soldiers needed at a time of peace. The equilibrium price at this time was \$13 per month. With the outbreak of the Civil War the demand for soldiers increased drastically, leading to an increase in the equilibrium wage for soldiers. The government, however, was not willing to increase the pay of soldiers to this new equilibrium and instead fixed the wage at a lower price, thus creating a price ceiling of \$13 per month plus the bounty received at the completion of service. At this wage they

could not induce enough people to volunteer for the army. Had the labor market been allowed to work and the wage been allowed to rise to the equilibrium level there would, in principle, have been no need for the draft. The civilian and military labor markets would have competed for the available labor suppliers and wages would have adjusted accordingly, however, this was not the case.

Figure 4: Total Number of Men at Various Stages of Enrollment During The Fourth Federal Draft, March 1865



Note: see Figure 1
Source: see Figure 1

In the late spring and early summer of 1861 there was a surplus of men willing to fight in the war, due to the military fervor. The War Department turned many of these extra men away because they felt that the quota for each state would be filled and that they had enough men to finish what they perceived would be a short war. This was an unfortunate choice because beginning in the Fall of 1861 the opportunity cost of joining the army increased drastically. "The surplus labor supply of the early spring had been absorbed both by the army and by the increased demands of farm and shop, thus leading each prospective volunteer to weigh his earning capacity in civil life against the relatively meager pay of the army."²⁷ In contrast to the low wages of army volunteers, which included the federal bounty payment, the wages of farm and factory workers were increasing. The outlook for keeping a steady flow of men entering the army was not good.

At the outset of the war the wage of \$13 was enough to induce men to join the army. In fact, it may have been too high at the very beginning because the War Department had to turn some men away because the existing institutional structure would not allow for a substantial increase in army numbers. Then, unfortunately, as information about the war began to filter back home, people began to think twice about volunteering.

As the war progressed, the federal government was losing volunteers to the civilian labor market. What was needed was a new incentive, such as a wage increase, to keep the military labor market competitive with the civilian labor market. The federal government decided, however, to keep the wage fixed at \$13 per month plus a \$100 bounty paid at the end of service. This fixed price policy ultimately meant that at that price

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demand began to outstrip supply. The alternative to raising price was to rely on a non-market mechanism: the draft. Yet, even after the draft option was decided, the institutions put in place by the Union Government were so weak and ineffectual that the process of raising a sufficient number of men was dragged out over several years.

“Better results could undoubtedly have been obtained by simply adding four dollars a month to the pay of the soldiers. This would have made the immediate prospect of army service more attractive, would have been more easily administered, would have avoided later complications in the distribution of payments, and would have put the pay of soldiers on a strictly business basis.”²⁸ It is difficult to tell from the data if the elasticity of supply was such that raising the wage to \$17 for volunteers would have returned this market to equilibrium. But, what is certain is that there would have been less of a shortage of men. The increase could have countered the fact that, “...the war industries had so absorbed the labor market, that the bounties, as then offered, were insufficient to lure men from their jobs...”²⁹

The state and local governments entered into the business of offering bounties when the shortages of willing volunteers began to appear. There was one major difference between the federal and state bounties, however. Where the federal bounty was paid at the end of service, the state and local bounties were paid up-front in one bulk sum. In addition, as state and local governments began to fear not meeting their quotas the bounties would increase dramatically.

IV. Massachusetts Bounties

In this section we turn to some of the effects of incentives put in place by the way the Union Government asked states to raise soldiers. The militia draft created the first sign of how difficult it was to induce men to enlist. In the state of Massachusetts one can see clearly the effect of the labor market and the threat of a draft on state bounties. The range of bounties paid to enlistees varied across the state from as low as \$50 to as high as \$350.³⁰

The militia draft was called on August 4, 1862, but was to commence on September 3, 1862. The states called for postponements saying that if they were given just a few more days they would not need a draft because their quotas would be filled. The federal government was faced with a problem. It had no legal means to call a draft. So, if the federal government refused the postponement requests, the states could ignore the entire draft request without consequences. In the end, Lincoln left it up to the states to decide about postponements.³¹

Governor Andrew of Massachusetts set his state's postponement for September 15, 1862. Prior to the call for the draft, and until September 9, the bounty paid in Boston was \$100. Then on September 9, Hon. Geo. B. Upton, an agent of the city, offered an additional \$100 to any man who volunteered in his district. Between the dates of September 9th and 29th, 225 men received the \$200 bounties. Men in other districts did

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not receive this increase.

The Governor, in the interim, delayed the draft until October 15 and then again until December. By September 30, the bounty once again had fallen back to \$100 for all districts. On October 20, however, the bounty paid in Boston was again increased to \$200 for anyone enlisting. This \$200 bounty was constant for a little over a month. During this period 955 three-year volunteers and 861 nine-month men were paid \$200 in full. Then on December 1, the price went back to \$100 and a few days later the draft began. The bounty paid to the drafted men was \$100.³²

As seen in this example from Boston, as the draft became closer the bounty payment to volunteers increased. Clearly there was a desire to avoid the need for a draft. So, as the draft date drew closer the bounty paid for volunteers increased. When the Governor postponed the draft the price would drop back because the hope was that the draft would not have to take place or that there was sufficient time to recruit at the lower price.

In October of 1863 the federal government passed an act offering a reimbursement to the various cities for each volunteer they had provided. Each city had to send a complete listing of volunteers who had enlisted beginning in July of 1862. The federal government said that each state would receive up to \$100 dollars for each volunteer. Therefore, if a city paid a \$50 bounty it would receive the full \$50 for each volunteer but, if a city paid \$150 dollars, it would receive only \$100. It is important to note, however, that this act was retroactive. Had cities known this reimbursement was going to occur the minimum bounty paid would have presumably been \$100 because it would not have cost cities up to that amount. All of the statements from the various cities and towns of Massachusetts were compiled providing information such as the volunteer's name, amount paid, unit he was assigned to, date of enlistment, where he was paid and by whom, and in some cases the length of service.

A random sample of 2993 men was drawn from the Massachusetts records. The following information from the official records was collected: amount paid to each volunteer, the regiment in which each volunteer was enlisted, the date, and (when available) the term that the volunteer would serve, see Table 2 for descriptive statistics. Soldiers had the choice of a 3-year or 9-month enlistment, but, since it was not mandatory for the city to report the length of time for which the volunteer enlisted, several did not record the information. The state government paid the \$100 dollars for every volunteer regardless of the length of enlistment. However, on the town level there was often a local payment difference. In addition to these data, the 1860 Census population for each city and the distance from Boston was collected.

In order to test the factors influencing the size of bounties given to volunteers in the state of Massachusetts we estimated a set of Ordinary Least Squares (OLS) regressions. The dependent variable is the bounty paid to each individual. Several independent variables are included. First, the date that the volunteer enlisted is included. This variable is measured as the number of months from the draft scheduled for December 1862. So, for example, a value of 10 would mean an individual signed up for service in the month of

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February 1862. Our priors are that the bounty should increase the closer an individual enrolled to the draft date as states wanted to encourage as many volunteers as possible in order to meet their quota and thus avoid a draft. The second variable is distance from Boston. This variable is measured as the straight-line mileage distance from the city of Boston.³³ As Boston was the largest city in the state, proximity to this larger and thicker labor market should have driven up the opportunity cost of laborers and thus caused bounties to be driven up in cities closer to Boston. Wages in and around Boston were being driven up due to increases in war-related industry, thus local officials would have to offer higher bounties to entice workers away from such high paying jobs. We suspect a negative coefficient on this variable. The third variable we use is the population of the city in which the person enrolled. Just as nearness to Boston should drive up bounties, so too should bounties be larger in cities with a larger labor market. Rural towns and villages with fewer opportunities for employment should not have had to pay high bounty prices relative to larger towns and cities. Thus we expect this coefficient to be positive. The fourth variable is type of regiment. This is a dummy variable that takes on the value 1 if the soldier enrolled in the infantry and 0 if non-infantry (usually this is the cavalry). Given that the cavalry was a slightly higher skilled regiment, the bounties for those individuals should be driven up. We expect the sign on this variable to be negative.³⁴ The fifth variable is the term for which an individual signed up. As noted earlier, a soldier could enlist for either a three-year term or a nine-month term. Again, this variable is measured as a dummy variable which takes on the value 1 if the individual enlisted for three years, 0 if for nine months. We expect that those who enlisted for three years received larger up-front bounty payments than those who enlisted for nine months, hence we expect a positive sign. The descriptive statistics for these variables can be found in Table 2.

**Table 2: Regression Analysis of Massachusetts Sample with
Dependent variable = Bounty**

	Mean	1	2
Months before enlistment	3.10 (0.02)	-1.87 (0.71)	-1.61 (1.16)
Distance From Boston in miles	47.27 (0.62)	-0.34 (0.03)	-0.33 (0.04)
Population of town volunteer enlisted	4555.26 (272.62)	-0.00003 (0.00006)	0.00002 (0.00008)
Type of Regiment (1=Infantry, 0=non-Infantry)	0.03 (0.003)	5.56 (5.77)	-2.03 (8.72)
Length of Term (1=3-year, 0=9-month)	0.52 (0.01)		10.91 (3.07)
Intercept		156.54	155.63
Adjusted R-sq.		0.05	0.04
F-statistic		36.61	14.71
Number of observations		2993	1833
Dependent Variable	134.74 (0.97)		

Source: Adjutant (1864), see text for description.

Note: Numbers in parenthesis represent White's standard errors.

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Table 2 also contains the results of our regression analysis. As noted earlier, we were unable to ascertain the length of term for all enlisted men. Thus, we ran two regressions; one with the entire sample excluding the length of service variable. The other regression restricts the sample to only those individuals for which their length of service was clear from the records. Regression 1 shows that the date of enlistment and the distance from Boston mattered in the size of the bounty received. Each month closer to the draft day brought an additional \$1.87 to the soldier and each mile closer to Boston brought an additional \$0.34. However, the population variable seems not to have mattered, either economically or statistically. In addition, the regiment had the opposite sign as was suspected, but it is not significantly different from zero.³⁵

When the length of term is added to the regression, the results do not change significantly. Regression 2 shows that the sign on the date of enrollment variable is still negative and roughly the same size, \$1.61, but it is less significant. Each mile closer to Boston still earns roughly the same amount to an enrollee, \$0.33. Both, population and regiment type are still statistically insignificant. However, now the length of term variable has a great deal of explanatory power. Three-year recruits received an additional \$10.91 over nine-month recruits.

As seen by these econometric models, state and local government had a clearer idea of the economic implications of recruitment. Where the federal government left the salary low and the bounty payments low and as end payments, the local governments varied the payments across the board. By taking into account the local labor markets they were able to induce more men to volunteer. These local governmental institutions seem to have been better able to adapt to local conditions and hence better at enlisting volunteers than their federal counterpart.

V. Conclusion

The Civil war was a period of disruption and chaos in American History. The federal government was faced with raising an unprecedented number of soldiers. However, in an attempt to appease the various sensibilities of regional constituencies, the Union Government was forced to spend valuable time trying to find unique ways to recruit soldiers. The weak institutions in place caused a delay in raising sufficient numbers of men to fight the war in the early years. An additional problem was the unwillingness to allow the wages of soldiers to rise to meet demand. Local governments were, however, more responsive to incentives by paying more in localities where opportunity costs were higher.

When Congress and the Department of War were faced with the problem of too few volunteers they had two choices: raise the wage offered or create a draft. The choice was ultimately a draft. With this choice came the prospect of new and uncharted waters. The problem with substitutes and commutation lead to debate among congressmen and the public alike. With a government imposed price ceiling on the market for substitutes in

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place, the market for men in the military was still coming up short. When the ceiling was removed the market was able to start the process of adjustment. In this case, the proof that the market will adjust itself accordingly was borne out: the price of substitutes rose.

It is possible that the length of the war was extended because so much extra time was needed to rally the troops. If the Government had raised the wages of soldiers or had the institutional strength to create an effective central draft, less time would have been spent on trying to find soldiers and more would have been focused on the battles at hand. The outcome would most likely have been the same, but with fewer lives lost and fewer resources expended.

Notes

1. See Levine (1981) for a discussion of the Civil War draft with a focus on the men who evaded the draft.
2. James M. McPherson, *For Cause & Comrades Why Men Fought in the Civil War* (New York: Oxford University Press, 1997).
3. James Barnett Fry, Report of Provost-marshal-general (39 Congress, 1 sess., House Exec. Doc., no.1), 102
4. McPherson, *For Cause & Comrades*, 16.
5. Josiah Favill as quoted in McPherson *For Cause & Comrades*, 16.
6. Fred Albert Shannon, *The Organization and Administration of the Union Army 1861-1865 Volume I & II* (Cleveland: The Arthur H. Clark Company, 1928), 35.
7. *Ibid.*, 46.
8. Shannon, *The Organization and Administration*, 276.
9. *Ibid.*, 277.
10. Marvin A. Kreidberg & Merton G. Henry, *History of Military Mobilization in the United States Army 1775-1945* (Westport, CT: Greenwood Press, 1975), 103.
11. *Ibid.*, 103-104.
12. Eugene Converse Murdock, *Patriotism Limited 1862-1865 The Civil War Draft and the Bounty System* (Oberlin: The Kent State University Press, 1967), 7.
13. Shannon, *The Organization and Administration*, 305.
14. The commutation clause was repealed except for conscientious objectors on July 4, 1864.
15. One exception was the commonwealth of Massachusetts, where with an act passed in November of 1863, Massachusetts volunteers were offered the option of a bulk up front payment or an installment plan similar to that of the federal government. Recruiting Committee 1863, 10-11 (United States War Department 1880-1901).
16. Fry, Report of Provost-marshal-general, 87.
17. United States Department of Commerce, Bureau Of the Census, *Historical Statistics of the United States* (1975), Series D705 and D728.
18. Murdock, *Patriotism Limited*, 24.
19. Fry, Report of Provost-marshal-general, 29.
20. U.S. Statues at Large 1865, 6-11 (United States War Department 1880-1901).
21. Murdock, *Patriotism Limited*, 32.
22. *Ibid.*, 26.
23. Michael T. Meier, "Civil War Draft Records: Exemptions and Enrollments," National Archives and Records Administration, National Archives Trust Fund Board (1994), 1.
24. Murdock, *Patriotism Limited*, 32.
25. United States War Department, *The War of the Rebellion: A Compilation of the Official Records of the*

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- Union and Confederate Armies*. 128 vols. (Washington D.C.: Government Printing Office. 1880-1901), 129.
26. *Ibid.*, 129.
27. Shannon, *The Organization and Administration*, 260.
28. *Ibid.*, 53-54.
29. *Ibid.*, 29.
30. Public Safety 456x, Adjutant General *Returns of Municipal Bounties Volume 1 & 2* (1864).
31. Shannon, *The Organization and Administration*, 288.
32. Throughout December and early 1863 the bounty paid was \$100 with only one exception. On December 4th and 24th 1862, 250 men were paid \$200 to enter the 2nd Cavalry. All information regarding bounties paid was obtained from the eleven-volume set of the *Returns of Municipal Bounties* housed in the Massachusetts State Archives. Adjutant General 1864
33. The program MapLinx was used to calculate each city distance from Boston.
34. See Kauffman (1996) for an economic analysis of the incentives of the cavalry and infantry during the Civil War with special reference to the use of horses and mules.
35. In the estimation of the regression models, a Breusch-Pagan test revealed the presence of heteroskedasticity, as would be expected for such a cross-section data set. The estimation parameters remain unbiased, however, the standard errors obtained by traditional procedures are no longer reliable. Such a problem is overcome with the use of standard errors, as reported, obtained from White's Heteroskedasticity-Consistent Covariance Matrix. In addition, neither of the equations exhibited problems of near-exact multicollinearity.

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* For helpful comments on an earlier version we thank Dudley Baines, Nick Crafts, Guillaume Daudin, Philip Smith, two anonymous referees and the participants of seminars at the London School of Economics and Wellesley College, and the Economic and Business Historical Society Meetings. Part of the research for this paper was conducted while Kauffman was a visiting fellow at the London School of Economics. Financial support from Wellesley College is gratefully acknowledged.

