Crisis of Rugged Individualism
The West Shore—South Pennsylvania Railroad Affair, 1880-1885

The last quarter of the nineteenth century traditionally has been viewed as an era in which the economic development of the nation was speeded by a social climate almost perfectly conducive to business enterprise. With a highly sympathetic government behind him and a docile, unorganized labor force at his disposal, the entrepreneur is supposed to have been free from the major imponderables of modern industrial life. Hardly less important, it has been widely assumed, was the businessman’s almost complete freedom to plan and execute projects with a minimum of worry about how his decisions might affect others of his own kind. A spirit of individualism in the commitment of one’s own property had, indeed, characterized the small, closely-held enterprises which made up American business from its beginnings down to the end of the Civil War. Few have questioned the extent to which rugged individualism continued to rule throughout the eighties in the rapidly expanding railroad industry, even though by 1880 the numerous individual enterprises were rapidly being woven into an industry of highly interdependent units, into which Americans and Europeans had poured hundreds of millions of dollars of investment capital in the preceding thirty years.

Such beliefs about the business climate of the eighties and nineties culminated in a stereotype of the late-nineteenth-century businessman which Edward C. Kirkland articulates with the words “primitive,” “strong,” “confident,” and “enthusiastic.”¹ The successful undertakings of these men, he points out, have been emphasized so exclusively that some of the most disapproving writers have come


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“to subscribe unwittingly to the cheerful gospel of success.” In fact, the “rugged individualist” in that period of rapid social change found much to agonize about as he sailed into an uncharted sea. These men experienced a growing awareness that the element of uncertainty, troublesome as it had been throughout the history of business enterprise, was to be an even more vital factor in success and failure in the future, while at the same time the stakes were incalculably higher. Risk-taking, not thrift, was the primary role of the industrial capitalist who was replacing the old merchant prince. Insofar as the factor of uncertainty and the risks which it implied could be brought under control by rationalization of the structure of an industry, men like John D. Rockefeller were already beginning to see their efforts crowned with dramatic success. But in the eighties much of the uncertainty of business life was beyond anyone’s control, or so it must have seemed to the men who faced the problem of rationalizing the chaotically competitive structure of the railroad industry.

Beginning with the great era of railroad building in the decade before the Civil War, the American economy had seen periods of vigorous investment activity alternating with periods in which demoralization of this leading edge of the economy had resulted in sharp, severe declines in almost all phases of economic activity. The feverish prosperity of the early post-Civil War period, moreover, had been brutally terminated by the panic of 1873, which lengthened into the first great international depression of the capitalist era. During the critical period from 1880 to 1885, when the eastern trunk line railroads were seeking to control the individualistic practices which were threatening to destroy their prosperity, there occurred a short but severe cyclical fluctuation which emphasized the importance of such efforts. The upswing in economic activity in 1879 was clearly the result of a resumption of investment in railroad construction: from 1878 to 1882 the number of miles completed annually increased from 2,665 to 11,569. Domestic savings were becoming relatively more important and European capital less important, while interest rates had declined sharply from the average of 10% which had prevailed during the seventies. The flush period did not last long, however; prices and wages fell sharply in 1883 and a marked decline in willingness to invest was felt. Conditions worsened throughout 1884 and several important financial institutions had
gone under by the time the low point of the cycle had been reached in the middle of 1885.2

The mid-eighties, therefore, mark a critical period in the history of the growth of American railroads and the development of the management policies on which their golden age of prosperity was based. With the return of business confidence in the late seventies, a fight had begun for a share of the rich profits which the older, established railroads were enjoying. General rate-cutting and discriminatory rebating were widely practiced. New lines, frequently paralleling existing routes, were built, often with inadequate capital raised at ruinous rates of interest. The motives of their promoters frequently were far removed from any serious interest in serving the legitimate transportation needs of the areas through which they passed, and in some cases amounted to thinly disguised schemes to force older roads to buy them off. The logical source of a steadying influence in this unsettled period was the great trunk line railroads, but the failure of such well-laid schemes as Albert Fink's Joint Executive Committee to enforce pooling agreements revealed that the men who ran the railroads had not yet developed that capacity for collective action which they were to accept so enthusiastically after 1885.3

2 The cycle of 1879-1885 is treated comprehensively in Rendigs Fels, American Business Cycles, 1865-1897 (Chapel Hill, 1959), 113-133. The demoralizing effects of the eastern trunk line frictions during this period, on which Fels touches briefly, were surely a more direct cause of this brief panic than has been realized. While Fels correctly points out that by 1880 the greater part of railroad construction funds were going into improvements of existing lines rather than the laying down of new routes, the latter was nevertheless an outstanding feature of the early eighties, even in the relatively well-developed eastern network. The West Shore, the South Pennsylvania, and the Baltimore & Ohio's daring extension of its line from Baltimore to Philadelphia, represented the commitment of nearly $60 million of fresh capital. Of the three projects, only the West Shore depended solely upon publicly raised capital, which had indeed become very timid by 1883. The devastating eastern rate war, moreover, was more general than Fels suggests, and the severe drop in market value of New York Central common stock after the dividend was cut emphasizes the attention which these events commanded. Likewise, when it became clear that a true modus vivendi was being worked out between the Central and the Pennsylvania, a strong boost was given to the upswing. The purpose of these observations is not to detract from the statistical and economic generalizations which Fels's excellent work presents, but to suggest rather how detailed historical investigations of critical periods can enrich the understanding of economic fluctuations.

3 The unstable nature of railroad affairs in the seventies and eighties is emphasized in Edward C. Kirkland, Industry Comes of Age (New York, 1961), 75-88. A briefer summary is John F. Stover, American Railroads (Chicago, 1961). Gabriel Kolko, in his controversial Railroads and Regulation 1877-1916 (Princeton, 1965), underestimates the self-control which the
was the stability of the railroad industry more seriously threatened than in the northeast, the economic heart of the nation, where the outcome depended on the search for a balance of power between the New York Central and the Pennsylvania Railroads. These early giants of American industry were not in harmony in the early eighties. The laissez-faire spirit of individualism which had marked the first three decades of the railroad era was still the dominant characteristic of management decision-making. And, lest one suppose that the public, at any rate, was benefiting from the lower rates which are supposed to be the results of cutthroat competition, it should be noted that the inequities of discriminatory short-haul rates, by which the lines sought to make up in some localities what they were losing elsewhere, would shortly become one of the principal grievances of the Populist era. The critical stage of this period of rugged individualism came in 1885 when the Central and the Pennsylvania came face to face in two railroad-building projects which had been undertaken to duplicate their main lines. This West Shore—South Pennsylvania Railroad episode marked J. Pierpont Morgan’s first major effort to bring “harmony,” as he liked to call it, to the uncontrolled and frequently destructive individualism of late nineteenth-century American capitalism. From this time to his death in 1913, Morgan was to play a leading role in the development of the structure of American industry. The history of these two railroad ventures is one of the most dramatic examples of how mutually destructive forces could be annulled by economic statesmanship, motivated by a very practical knowledge of the timidity of capital, in the days before the Federal Government assumed a positive role.

By the mid-seventies there was a growing feeling that a railroad paralleling the Central from New York to Buffalo, where it could make connection with existing roads to Chicago, ought to be a highly profitable undertaking. The more cynical among would-be promoters believed that such a road could be sold to the Central on a blackmail

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basis. William H. Vanderbilt, in fact, had shown his horror of cheek-to-jowl competition in 1882 when he hurriedly bought up control of the Nickel Plate Railroad, which threatened the Vanderbilts’ prodigiously profitable Lake Shore line between Buffalo and Chicago. There was a real need, however, for an additional rail artery on the west shore of the Hudson River, at least as far as Albany. The first engineering report for a west shore road noted that there were only eight steam ferries between points on the Central, on the east shore, and communities on the west shore. Especially exciting was the prospect of removing New York as an obstacle to through travel from Washington, Baltimore, and Philadelphia to the increasingly popular resorts of the Catskills and upstate New York. Through service from the south to Boston, in fact, would become possible via the West Shore to Albany and thence to Boston via the Boston, Hoosac Tunnel & Western, a line that had linked up with the finally completed tunnel under the Berkshires. The Hoosac’s president, General William L. Burt, had moved in the direction of realizing his burning ambition to provide such service by acquiring a bankrupt New Jersey railroad which had made a start on a west shore line in 1873. But the enterprising general died before he could carry out his plans. The somnolent railroad which he bought had been ambitiously christened the New York, West Shore & Chicago Railroad in 1870, as a merger of three inconsequential little railroads which sprouted in northern New Jersey following the Civil War. Its promoters managed to finance little more than a survey, which envisioned a line with slight grades twenty-four miles shorter from New York to

4 This has been generally assumed to have been the motive for construction of the West Shore. Thomas C. Cochran, Railroad Leaders 1845-1890 (Cambridge, Mass., 1953), 161, refers to “roads built mainly to blackmail existing lines into buying them out, like the . . . West Shore. . . .” See also two earlier works, Edward Hungerford, The Story of the Baltimore & Ohio Railroad (New York, 1928), II, 145; and John Moody, The Railroad Builders, Vol. 38 of the Chronicles of America series (New Haven, 1920), 217. Kolko, 2, erroneously adds the West Shore to the list of Jay Gould’s enterprises.

5 Dictionary of American Biography, XIX, 175.


7 Commercial & Financial Chronicle, XXX (Feb. 7, 1880), 144. (This periodical is herein-after cited as CFC.) Edward C. Kirkland, Men, Cities and Transportation (Cambridge, Mass., 1948), I, 422.

8 CFC, XVI (Apr. 19, 1873), 525.
Buffalo than the Central, and forecast that by 1880 the new line’s share of a greatly increased traffic would return 18% on an estimated investment of $50 million.\(^9\) The panic of 1873 claimed another victim in this enterprise, which was ordered sold for $35,000 early in 1879.\(^10\) It had issued $5 million in bonds, of which $3 million had been handed over to the construction contractor, but it had managed to lay only two and a half miles of track.\(^11\) The only real progress in building a railroad up the west side of the Hudson had been made by the Jersey City & Albany Railroad, which opened its first twenty-four-mile section from Jersey City’s Pennsylvania Railroad depot to “Tappantown” in August, 1873, before it also surrendered to the panic.\(^12\)

The return of prosperity revived interest in linking New York and Buffalo with a new trunk line. A group of Wabash Railroad directors were talking loudly about completing the Delaware, Lackawanna & Western Railroad between Binghampton and Buffalo.\(^13\) But the driving force behind a line which would offer the Central serious competition was Edward F. Winslow, a Union cavalry general who after the war had resumed his railroad-building career with the New York, Ontario & Western. This anemic line meandered diagonally across the state of New York from Oswego to Middletown, aiming for Cornwall on the river. Winslow, a partner in the investment banking firm of Winslow, Lanier & Co., consolidated the Jersey City & Albany with his own North River Railroad, which existed only on paper, in May, 1881. Soon thereafter he acquired the meager assets of the “Chicago” West Shore and on June 14, 1881, merged all of these properties into a new corporation, the New York, West Shore & Buffalo Railroad.\(^14\) Real interest in actually building the new line now began to be apparent. George Pullman, by then the nation’s leading builder and operator of sleeping and parlor cars, had not forgiven the Central for removing his equipment from its lines and replacing them with cars made by the Wagner Palace Car-Building

\(^9\) Stuart, 5.
\(^10\) CFC, XXVIII (Feb. 15, 1879), 173.
\(^11\) Ibid., XXVII (Aug. 24, 1878), 200.
\(^12\) Ibid., XVI (May 2, 1873), 155; XXVII (Sept. 21, 1878), 303.
\(^13\) Railroad Gazette, XII (Sept. 3, 1880), 471.
\(^14\) Poor’s Manual of Railroads (1884), 176.
Co., the president of which was Vanderbilt's future son-in-law, Dr. W. Seward Webb. Pullman's New York representative, General Horace Porter, was made president of the West Shore and construction progressed rapidly thereafter. Prominent western railroad men, among them Henry Villard and Frederick Billings of the Northern Pacific and H. Victor Newcomb of the Louisville & Nashville, were among the promoters. The new railroad was to have a nominal capitalization of $40 million in common stock but the construction money was actually to come from the proceeds of the sale of $50 million in 5% first mortgage bonds, which would be issued as the physical assets of the company began to assume the appearance of a functioning railroad.

The first step in launching the new railroad was to attach it to the New York, Ontario & Western, a going concern which would function as a credit base. Exhausted from trying to cover too much mileage with too little capital, the Ontario had been in bankruptcy but when it was reorganized on January 21, 1880, its prospects seemed reasonably bright. Business was booming again and the Weehawken terminal and stockyard acreage which the company had acquired was superbly located for any new railroad which might be built into the New York area. On the strength of these prospects the new company had managed to realize $10 million on an issue of its securities. This cash, and the Weehawken property, became the nucleus of the West Shore. The Ontario agreed to finance the construction of the section between Weehawken and Cornwall and transfer it to West Shore ownership; to transfer its terminal properties to a new company, the West Shore & Ontario Terminal Company; and to share the terminal and the Weehawken-Cornwall section with the West Shore on a rental basis. In return, the Ontario received $10 million in West Shore bonds. There is little doubt that the promoters were interested primarily in the profits to be made by construction of the new railroad and the marketing of its securities. The initial risk capital in such an enterprise was not to be attracted by the profits from operation, which would be a long time in coming. By retaining control

15 Webb married Vanderbilt's daughter, Eliza Osgood, in 1883.
16 CFC, XXXIII (Oct. 1, 1881), 358; XXXIV (Jan. 14, 1882), 52.
17 Poor's Manual of Railroads (1906), 39.
18 Ibid. (1885), 175-176.
19 Chauncey Depew, My Memories of Eighty Years (New York, 1922), 242-243.
through ownership of the common stock, the promoters would be able to make whatever ultimate disposition of the completed road seemed most advantageous. Their investment in the North River Construction Company, however, which they organized to construct the West Shore, was substantial. By the end of 1882 it was reported that $7 million of the authorized $10 million capital had been paid in.20 The West Shore, in fact, was a well-engineered railroad which, if it had obtained sufficient working capital to carry it through its first few years and if it had solved the problem of a convenient entry into Manhattan, would very likely have become a serious competitor of the Central.21 But the West Shore faced initial construction tasks which quickly absorbed most of the capital which was paid in during the first flush of enthusiasm. A capacious passenger and freight terminal was built on the river at Weehawken, not just to provide for operations but also to give potential investors on the Manhattan side the impression of a substantial and permanent undertaking. A few feet outside the terminal a 4,225-foot tunnel had to be bored through the intransigent traprock of Bergen Hill before the trains could go anywhere. Eight more tunnels, notably one under West Point, were required. The total cost of the project was optimistically estimated by the North River Construction Company engineers at $46.6 million.22

The promoters hoped to raise $40 million by public sale of the bonds of the West Shore, on which they had already realized $10 million of the Ontario's money. Word was given out that the substantial character of the backers would insure that United States and foreign investors would take the bonds at or near par, thus making possible the financing of the railroad at a healthy rate of interest. A prospectus issued late in 1882 insisted (rather too shrilly, many potential investors must have thought) that "there is not the slightest doubt that under the most adverse circumstances possible the road will earn during 1884 the interest on its bonded debt." The sales talk included a prediction that the West Shore would get 40% of the Central's local traffic between New York and Syracuse, but how this

20 CFC, XXXII (Feb. 12, 1881), 183; XXXIV (Jan. 14, 1882), 52; (Nov. 11, 1882), 538.
21 The necessity of ferrying its passengers across the Hudson to Manhattan could only have been considered a grave handicap for a road expecting to compete with the Central for through traffic.
was to be accomplished without cutting rates, thus reducing earnings accordingly, was not explained. The report promised dividends of 3 or 4% on the common stock after provision for interest on the bonds. It contained one entirely accurate prediction, however: "The passenger facilities in Weehawken are large enough for all time." Another prospectus brushed aside the West Shore's lack of a Manhattan terminal, declaring that "the road can easily be connected with the tunnel now being constructed under the Hudson River." The recent history of that project, which had been begun in 1879 as the first attempt at a crossing of the formidable barrier between Manhattan and New Jersey, was not likely to make the prudent investor's heart beat faster. Like many projects which are ahead of their time, it provided valuable experience for those who came later, but the heavy costs of overcoming novel engineering problems, particularly those affecting the safety of the workmen, frightened away the required capital. There would be no rail link between the two shores for another thirty years.

All of the $50 million in first mortgage bonds were eventually issued by the West Shore, but to whom, at what price, and to what extent in return for work performed rather than for cash, can not be precisely determined from the public record, if at all. But the following summary, which is probably not a bad approximation, reveals how dismally the promoters failed to realize their original goal of financing the road at a conservative rate of interest:

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<th>Par value</th>
<th>Estimated Proceeds</th>
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<td>To the Ontario road</td>
<td>$10 million</td>
<td>$10 million</td>
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<td>To foreign investors @ 74</td>
<td>20 &quot;</td>
<td>14.8 &quot;</td>
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<td>Public offering, May, 1883, @ 78</td>
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<td>To North River Construction Company (for construction services) @, say, 50</td>
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<td>TOTAL</td>
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24 North River Construction Company, 7.
26 *CFC*, XXXV (Dec. 2, 1882), 638; XXXVI (May 12, 1883), 536; XXXVIII (October, 1883, Investor's Supplement), 57. The North River Construction Company also held $10 million in
As much as $35 million, therefore, was raised, but considerably less than that was available for actual construction. After allowing for the costs of raising the money, for working capital, for current expenses in the period before operations began, and for the shadowy expenses which inevitably attended such projects, it is doubtful that more than $25 million to $30 million found its way into preparation of the roadbed, track laying, and equipment. It was far from enough, particularly since the West Shore was built in a hurry with the inefficiencies which haste entails.\textsuperscript{27} There was no reserve for the period of deficit operations which new enterprises almost always face at their inception. The West Shore, therefore, found itself in trouble before it reached the point at which current expenses, much less interest on the bonds, could be earned. Revenues were depressed by the rate war which had broken out by this time, and the volume of business remained disappointingly low. By early 1884 the company was unable to pay its bills and its bonds had fallen to 55 on the New York Stock Exchange.\textsuperscript{28} Meanwhile the West Shore had run its first passenger train, from Jersey City to Newburgh, in June, 1883. The cozy relations which existed between the Central’s new competitor and the Pennsylvania Railroad are reflected in the fact that the latter allowed the West Shore to use its Jersey City terminal until the Weehawken passenger terminal was ready. By October, 1885, the line was open as far as Syracuse and service to Buffalo was finally offered in January 1884.\textsuperscript{29} Not until 1885, however, was the management able to announce proudly the transfer of operations from the Pennsylvania terminal to the West Shore’s impressive new facilities in Weehawken.

\textsuperscript{27} CFC, XXXIV (June 24, 1882), 715. In February, 1883, the promoters claimed to have spent $30 million in “cash” on construction up to that time. Nearly a year’s construction work remained, however, and even then seventy miles of this “double-track line” were still single-tracked. The West Shore never owned, but leased, half of its locomotives and two-thirds of its rolling stock. North River Construction Company, 19; CFC, XXXVI (Feb. 17, 1883), 196 and XXXVII (Dec. 22, 1883), 695; Poor’s Manual of Railroads (1885), 176.

\textsuperscript{28} CFC, XXXVIII (Feb. 16, 1884), 197. A wise observation was offered by the Railroad Gazette, XVI (Dec. 22, 1883), 447: “A road . . . ought to be provided with the means to pay interest charges for as much as two years after it is opened, for a great trunk line traffic . . . is not the creation of a day or a year.”

\textsuperscript{29} CFC, XXXVI (June 9, 1883), 651; XXXVII (Oct. 6, 1883), 375; Railroad Gazette, XV (Dec. 28, 1883), 877.
Excursion brochures prepared for the summer season of 1885 featured the news that passengers could now travel in Pullman buffet parlor cars (a new design with which George Pullman had become inspired during a recent European trip) from Washington, Baltimore, and Philadelphia all the way to Saratoga without a change and, by making one change at Kingston, to the Catskill resorts. The West Shore secured a through route to Chicago via the Grand Trunk Railway west of Buffalo, but its bid for this lucrative business was not successful. Unable to match the speed and convenience of the Central, the West Shore was soon forced to cut fares to get anyone but local passengers, of whom there were not many, into its trains.

The business panic of May, 1884, was the final blow. Now hopelessly behind in the interest on its bonds, which had sunk to 28½ on the Exchange, the West Shore and its controlling corporation, the North River Construction Company, set out on the bankruptcy trail along which so many similar enterprises had preceded them. The West Shore, therefore, never really had a chance to show what it could do. So much work remained to be done to place the roadbed in first class condition that it experienced more than the usual operating difficulties. Before long there was tragic evidence that the West Shore was not only slow, but unsafe as well. It had rained heavily in upstate New York throughout the day of November 9, 1885, and by 6 P.M., when newly-elected Assemblyman Charles Pratt and his wife boarded the West Shore’s Chicago Limited at Weehawken, the many small streams which ran beneath the line’s roadbed were swollen. The Limited passed Little Falls, New York, at 12:15 A.M., making forty miles an hour. A half-mile further on, at a point where the roadbed had been undermined because no culvert had been provided, the train left the tracks. Pratt, who was asleep in his berth when the car overturned, fought his way to the side of his mortally-injured wife just in time to hear her whisper, “Goodbye.” The unpopularity of

31 *Railroad Gazette*, XV (Dec. 28, 1883), 857.
32 CFC, XXXVIII (Jan. 19, 1884), 88; XXXVIII (June 14, 1884), 706; New York Supreme Court (Orange County), *Currier (Warren) vs. N.Y., W.S., & B. Railroad, Summons and Complaint* (New York, 1884); *Poor’s Manual of Railroads* (1886).
the West Shore’s service prevented a worse disaster: the couple and one other traveler were the only passengers in the car.\footnote{New York Times, Nov. 10 and 11, 1885, p. 1.}

The West Shore did not achieve its objective of taking over a large share of the Central’s business, but it succeeded dramatically in upsetting the cautious leader of its mighty competitor. William Henry Vanderbilt was the Commodore’s eldest son, and into his hands the old man, upon his death in 1877, had entrusted a fortune of $100 million, represented in the main by a rapidly expanding railroad empire. William had brought to the management of the profit-machine which his father had assembled just the right blend of rugged individualism and cool-headed deliberateness which the times seemed to demand. The assault of the West Shore, however, coming so closely upon the Nickel Plate “blackmail,” threw his judgment off balance. He had been severely criticized for his haste in buying up the Nickel Plate which, while it paralleled the Vanderbilt’s Lake Shore from Buffalo to Chicago, was not as dangerous as it seemed in view of the shaky condition of its roadbed and its finances.\footnote{Dictionary of American Biography, XIX, 175. See also the obituary of W. H. Vanderbilt, New York Times, Dec. 9, 1885, pp. 1–2.}

Again Vanderbilt would move too quickly and in the wrong direction. He fumed at rumors that the West Shore was receiving material assistance from the Pennsylvania Railroad beyond the use of its Jersey City terminal.\footnote{The official historians of the Pennsylvania Railroad report that the files of the company contain no material which supports this long-held belief. Miles C. Kennedy and George H. Burgess, Centennial History of the Pennsylvania Railroad, 1846–1946 (Philadelphia, 1949), 408.}

Determined not to submit to extortion this time, he decided to fight back by invading the territory of his supposed tormentor. The means to do so lay near at hand in a project with which he had been toying for two years.

Beginning in 1881 a Vanderbilt son-in-law, Harrison McKown Twombly, had advanced considerable sums to one Reon Barnes, who was conducting a definitive survey for a railroad to run from Harrisburg to Pittsburgh in the southern part of Pennsylvania.\footnote{Twombly was closely identified with the Vanderbilt interests for thirty years, sitting on the boards of the Pittsburgh & Lake Erie, the Reading, the Erie, and many other railroads which made up the New York Central “community of interests.” Who Was Who in America, 1897–1942, (Chicago, 1943), I, 1261.} Starting with an advance of $35,000, Twombly had invested $200,000 in
Barnes’ project by 1883 and had secured the rights to the franchise and the survey.\textsuperscript{37} The South Pennsylvania or “Sherman’s Valley” Railroad, as it was originally called, had been a dream of two generations of civil engineers. A railroad to run over the same general route as that surveyed by Barnes had been chartered in the 1830’s, a decade before the Pennsylvania Railroad was conceived. The first survey was made by one Hother Hoge, whose young assistant, James Worrall, struggled unsuccessfully for many years thereafter to persuade eastern capitalists to build the road. In those days of puny locomotives and primitive tunneling methods, engineers would go to almost any length to avoid steep grades and extensive digging. In the rugged terrain of Pennsylvania this resulted in a devious route which was almost as long as the Pennsylvania Railroad as eventually built.\textsuperscript{38} The people of the southern part of the state nevertheless felt they had the most direct route from Harrisburg to Pittsburgh, and were bitterly disappointed when the builders of the Pennsylvania chose the more northerly route through the Juniata River valley.\textsuperscript{39} The latter group stoutly maintained the engineering superiority of their route, but the real deciding factor was the insistence of Philadelphians on a route which could not be used by Baltimore to gain access to the Pittsburgh area.\textsuperscript{40} In the boom years of railroad construction after the Civil War, the only solid interest in building a southern trunk line had come from the Reading Railroad. A fundamentally sound enterprise which was the principal exploiter of the rich anthracite fields of eastern Pennsylvania, the Reading stopped short at Harrisburg. A link with Pittsburgh would have greatly enhanced its value, transforming it from a coal road to a link in a new route from the seaboard to the midwest. Franklin B. Gowen, famous as prosecutor of the “Molly Maguires” in the seventies, had been since 1870 the aggressive head of the Reading. Had his reach in acquiring coal lands for the Reading not exceeded his grasp, running the company onto


\textsuperscript{40} Faller, 6.
the shoals of bankruptcy by 1880, he might have become the key figure in the assembling of a fifth great east-west railroad.

Vanderbilt’s decision to undertake what had now become son-in-law Twombly’s project was due in part to the willingness of Robert B. Sayre, of the Lehigh Valley Railroad, an able railroad man looking for new challenges, to assume operating responsibility for the South Pennsylvania. Vanderbilt also found a powerful ally in Andrew Carnegie, who had chafed for years at the lack of an alternative to the Pennsylvania as an outlet for his mills at Pittsburgh. By 1883 Carnegie was convinced that the future relations between the Central and the Pennsylvania would be, not collaborative but competitive, a condition which he was anxious to cultivate in the Pittsburgh area. During a visit to the Vanderbilt home in New York he had been shown the plans for the new railroad and asked his opinion of the project. The thrifty steelmaster, usually so reluctant to pioneer in new undertakings, was delighted. He offered to raise $5 million for the project among his Pittsburgh associates, whereupon Vanderbilt decided that he, personally, would put up $5 million and the future of the new railroad seemed assured. Vanderbilt, Carnegie, and some twenty-eight other investors associated themselves in the “South Pennsylvania Syndicate,” agreeing to raise all of the $15 million which engineers estimated would be required to build the railroad from Harrisburg to a connection with the Vanderbilt-controlled Pittsburgh & Lake Erie southeast of Pittsburgh. They were to re-


42 New York to Philadelphia via the Central Railroad of New Jersey, then controlled by the Reading; to Harrisburg via the Reading; to Pittsburgh via the South Pennsylvania and the Pittsburgh & Lake Erie; and to Chicago via, e.g., Jay Gould’s Wabash Railroad. Gowen resigned the presidency of the Reading in 1886. When he committed suicide in 1889 no reason was advanced, but he clearly never overcame his disappointment at failing to make the Reading a major railroad.

43 Schlegel, 244.


45 Testimony of Andrew Carnegie, Pennsylvania Courts, 386–400.

46 The Syndicate membership consisted of three groups, each accounting for $5 million of the total pledged capital of $15 million: (1) William H. Vanderbilt, personally (the New York Central and Hudson River Railroad had no legal interest in the undertaking); (2) friends and associates of Vanderbilt who participated on the strength of his presence, among whom were John D. and William Rockefeller, D. O. Mills, James V. Colgate, S. B. Elkins, H. F. Dimock, and F. L. Stetson, all prominent in eastern financial, industrial, and legal circles; and (3) the
ceive Syndicate certificates evidencing their cash advances until the road was one-half completed, at which point their certificates and their subsequent capital payments would be exchanged for all of the securities—bonds and common stock—of the South Pennsylvania Railroad.

Three generations of historians have insisted that the promoters looked upon the project merely as a scheme for making enormous profits quickly by a variety of financial manipulations. An early partisan of the robber baron stereotype asserted that “there was an easy way of getting millions of dollars before the road was even opened . . . Vanderbilt got together a dummy construction company . . . He ordered this company to issue $20 million in bonds and the same amount in stock. Of this $40 million in securities more than $30 million was loot.”47 This “railroad that never was,” by such reasoning, was supposed to have generated profits for Vanderbilt equal to 30% of the total growth of the family fortune from 1877 to 1885! It is true, as one of the Syndicate members put it with complete candor, that the “idea was to make money.”48 Carnegie ruefully admitted that in his “sweet simplicity” he had expected to triple his money in addition to securing the benefits of increased railroad competition.49 Since the Credit Mobilier scandals, the existence of separate construction companies has been enough to arouse the suspicions of generally unsympathetic historians of the Gilded Age. In this case, to understand all is to pardon, if not all, at least a great deal. The Syndicate, being a partnership whose sole function was to marshal funds, would not have served for the dangerous and expen-

Pittsburgh interests, including Carnegie, Gowen, and a number of local men among whom the heaviest investors were Ralph Baggaley, publisher of the Pittsburgh Chronicle, and Dr. David Hostetter. Hostetter was the largest investor after Vanderbilt. He had made a fortune as manufacturer of a patent medicine called “Hostetter’s Bitters,” which he had further multiplied by building oil pipelines in competition with Standard Oil. Having recently sold out to that organization, he had abundant liquid funds to invest. The Syndicate membership and their pledges are in CFC, XLI (Aug. 1, 1885), 134.


49 Testimony of Andrew Carnegie, ibid., 386-400.
sive work of construction, which was prudently conducted under the shelter of a limited liability corporation, the American Construction Company. The South Pennsylvania Railroad Company, the railroad corporation itself, never reached the stage of issuing bonds even to the Syndicate members, much less of peddling them to the general public. There was no place for widows and orphans in this game. The capitalization of the railroad company called for the issuance of $20 million in first mortgage bonds to cover the initial construction and equipping of the road; and capital stock with a par value of $20 million. Fifteen million dollars was an optimistic estimate of the cost of building and equipping a 200-mile railroad which required seven miles of tunnels and a major bridge; and another $5 million for initial working capital would not have been overgenerous. It is difficult to see where there would have been much water in the $20 million of bonds. As for the stock, those handsomely engraved certificates would have had no value until a stockholders' equity had been built up, which could only happen after the enterprise was earning the interest on its bonds. The shares, in fact, were to go to the Syndicate members along with their bonds, dollar for dollar, in simple recognition of the fact that they were the investors and therefore the ones who should exercise voting power. Although the practice of financing a new railroad with the proceeds of bond sales while exercising control through the capital stock is often cited as evidence of chicanery, the fact is that in many instances bond- and stockholders were the same persons.

Only about fifty miles of actual railroad line were ever built. From the beginning of the project in November, 1883, emphasis was placed on its main features, which were nine tunnels totaling about seven

50 Annual Reports of the Secretary of Internal Affairs of the Commonwealth of Pennsylvania; Part IV, Railroad, Canal, Navigation and Telegraph Companies (Harrisburg, 1883-1891).
51 The legend of the larcenous nature of the South Pennsylvania began with a lawsuit brought in June, 1885, by Baggaley, who wished to force his fellow Syndicate members to agree to an immediate issue of bonds against their certificates, even though the project was not yet 50% completed. His brief sought to cast doubt on the legitimacy of the undertaking, alleging that the construction company was a device to establish a highly overcapitalized railroad in contravention of the laws of Pennsylvania. Baggaley, who not only feared for his investment but also was under considerable pressure from the Pennsylvania Railroad to help secure abandonment of the project, lost the suit. New York Times, June 9, 1885, p. 2; CFC, XL (June 27, 1885), 764.
miles and a bridge over the Susquehanna at Harrisburg. The road was to have only a single track at first, but, luckily for a later generation, the tunnels were made wide enough to accommodate a second track if one should ever be needed. July, 1885, was the original goal for completion of the railroad, but by September of that year, when all work ceased, the tunnels were only a little more than 60% finished and the piers and abutments of the bridge at Harrisburg had just been readied for the steel which they were never to receive. The South Pennsylvania benefited from the low construction costs which coincided with the recession of 1884, and Sayre conducted the work efficiently. When the final halt was called $5.7 million of the Syndicate's money, 38% of the $15 million which had been subscribed, had been spent and it was estimated that only $4 million more would have seen this long-dreamed-of railroad finished and ready for its equipment. It was with understandable bitterness, therefore, that the South Penn Transit, which the engineering corps had published throughout its brief history, saluted the workmen in its final issue: "You have reason to believe that your skill made it dangerous."

Dangerous it was indeed to the orderly and profitable operations of eastern railroads. The times were unpropitious for any who sought to manage important economic affairs in the old-fashioned, highly individualistic manner. The fact is that the West Shore, the South Pennsylvania, and Vanderbilt himself were all dying in the fall of 1885. As the choleric head of the Central reflected on the highly unstable railroad situation which his launching of the South Pennsylvania had aggravated, and as he watched the market price of New York Central common stock dip below par for the first time since the Commodore took control, he must have shuddered at what his father would have thought of his policies. Where, after all, would the bulk of the traffic for the South Pennsylvania come from? Two years' experience as operator of the Nickel Plate had shown him that most of the new line's traffic would for some years have to be donated by the Central, and in this case it would have to be shared with the Reading in the east and various lines west of Pittsburgh. Not one to get himself into a situation from which he could not retreat, Vanderbilt had seen to it that he could call the tune in the affairs of the South Penn-

52 Faller, 12.
53 Ibid., 24.
sylvania. When he decided to abandon the project, therefore, most of the other Syndicate members quickly fell into line. Among the New York men, S. B. Elkins had already lost faith in the project. Carnegie, who wanted the new road as much as anyone, was in Europe when his brother cabled him the news of Vanderbilt’s retreat. “Vote with Vanderbilt,” was his thriftily cabled reply.\(^54\) Ralph Baggaley had discovered that the Pennsylvania Railroad could make things uncomfortable for him as publisher of the Pittsburgh *Chronicle*. But David Hostetter, the Pittsburgh patent medicine millionaire and former bitter opponent of the Standard Oil Company in the operation of pipe lines, objected strenuously to the Vanderbilt “sell-out.” Looking forward with relish to the day when the Pennsylvania would have effective competition in the state, he had sunk $760,000 in the venture, more than anyone else except Vanderbilt himself.\(^55\) A way would have to be found, therefore, to salvage some of the Syndicate members’ money as well as Vanderbilt pride. When overtures were made to the Pennsylvania Railroad to take over the unfinished property, however, that line’s astute managers served notice that several other aspects of the eastern trunk line problem would have to be considered at the same time. It was clear, therefore, that the South Pennsylvania problem was not going to be solved in isolation from the problems of rates, service, and invasion of the territory of one road by another.

By the summer of 1885 the acute need for reform in railroad management policies had begun to worry J. Pierpont Morgan, on whose recommendation many European investors had poured hundreds of millions into this American industry. They had had an opportunity to express their anguish to him personally that spring during one of his frequent trips to Europe. The Central, moreover, had just caused a sensation in the stock market by cutting the annual dividend on its common stock from $8 to $6, a move which caused the stock, which had sold as high as 130 in 1881, to slump to 82.\(^56\) Lower earnings, stemming directly from the rate war with the West Shore, were the obvious reason. Morgan saw clearly that the Central would have to take over the West Shore, and in view of its sad financial condition he

\(^{54}\) Testimony of Andrew Carnegie, Pennsylvania Courts, 386–400.

\(^{55}\) *Ibid.*, passim.

\(^{56}\) *CPC*, XXXIX (Sept. 6, 1884), 244; *Poor’s Manual of Railroads* (1886).
was sure that it could be gotten at a price which the Central's managers, if not Vanderbilt, would live to consider a bargain. The difficult task, of course, would be to convince George Roberts, president of the Pennsylvania and a man who was more than ready to let the South Pennsylvania adventurers suffer the total loss which they so richly deserved, that he should set principle aside and bail out the Syndicate. But how could Morgan make it as clear to Roberts as it was to himself, that the Pennsylvania's gain would far exceed what it would have to pay out?

The popular notion is that the omnipotent Mr. Morgan regally arbitrated the West Shore—South Pennsylvania affair from the afterdeck of his steam yacht Corsair. It was not that easy. Three days before the celebrated yacht conference, on July 7, he traveled to Philadelphia in miserably hot weather to consult with Roberts, who would promise only to think the matter over and then come to New York for further discussions. New York was in the grip of its worst heat wave in memory when Roberts and Frank Thomson, his heir-apparent to the presidency, arrived in the city on July 10, so Morgan took them aboard the Corsair for a luncheon cruise and conference. Chauncey Depew, willing talker and newly-elected president of the Central, was the fourth member of the party. In view of the taciturnity of the other voyagers, it seems likely that what little we really know about the meeting came from his reminiscences, although he omits the incident entirely from his chatty memoirs. It is clear, however, that Roberts was very stubborn and that the Corsair burned a great deal of coal before he finally consented to the Morgan compromise. The Pennsylvania, it was agreed, would take the South Pennsylvania at a price which a majority of the Syndicate could stomach and, in addition, would be permitted to buy the Beech Creek Railroad, a coal-carrying road which the Vanderbilt interests had built into Pennsylvania Railroad territory. Roberts was especially pleased at Morgan's promise to find a way for the Central, and not some third party, to gather in the West Shore, thus permanently removing it as a disruptive force in the eastern trunk line balance of

57 Schlegel, 256.
power. Passenger and freight rates in competitive territory, it was further agreed, would be re-established and maintained at their former very profitable levels.\(^5\) Even without the gourmet luncheon, the cigars, and the sea breezes the plan would have been hard to resist.

Events were moving in the fall of 1885, however, in a direction which Morgan had been warned to expect. Suit to block purchase by the Pennsylvania was brought under the constitution of the State of Pennsylvania, which forbade a railroad to buy out a competitor. Moving with a gusto which derived from the fact that the Pennsylvania had opposed his party in the recent state elections, Attorney General L. C. Cassidy easily convinced the court that the South Pennsylvania and the Pennsylvania were indeed competitive enterprises. Carnegie, on the witness stand, made no bones about it: "A line 30 miles shorter, and you ask what they \(\textit{the Pennsylvania}\) would want with it . . . the Pennsylvania Railroad is wrongly located. It never should have been built . . . it is to their interest to build it, which would give everybody interested in it a much better line than they could have, eventually."\(^6\) Cassidy also found Morgan willing to explain his role in re-establishing harmony among the trunk lines. "I told him \(\textit{Roberts}\) that of course, as a firm, we could have nothing to do with that \(\textit{effecting purchase indirectly}\) but as an individual I was quite ready—feeling the importance of what was at stake I was prepared—to do what I could and to give the use of my name and signature to act as the purchaser for one for the other . . . the paper annexed to it \(\textit{the draft purchase agreement}\) is the guarantee given by the Pennsylvania Railroad to me, holding me harmless for what I did in their behalf in the matter."\(^6\)

In October the Pennsylvania Supreme Court permanently enjoined the parties from proceeding with the purchase. Title to the South Pennsylvania never passed to the Pennsylvania, nor did the

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\(^5\) News of a settlement was shortly reported. The New York Times (July 28, 1885, p. 2) headlined it, "Two giants allied; relations will be put back on a 'paying basis.'"

\(^6\) Testimony of Andrew Carnegie, Pennsylvania Courts, 386-400. Carnegie exaggerated the potential superiority of the South Pennsylvania route over that of the Pennsylvania. While he could not have foreseen the dramatic expansion and improvement of the latter's main line in the next two decades, he should have known that the punishingly steep grades of the southern route would have canceled the advantages of its shorter length.

\(^6\) Testimony of J. P. Morgan, Pennsylvania Courts, 541-576.
Syndicate recover any of its investment at this time. Yet no one made more than a half-hearted attempt to resume construction of the line. The Reading, which had hoped for much from the new line and had spent heavily on terminal improvements in Philadelphia in anticipation of greatly increased traffic, sought unsuccessfully in the courts to secure either continuation of the project or damages. The Pittsburgh stockholders, largely as a result of the efforts of the indignant Dr. Hostetter, sought to revive the project in 1887, and for a time it looked as though Carnegie was again seriously interested. But by now he had the "goods" on the Pennsylvania in the matter of the rebates they were giving his lake-based competitors, and, furthermore, he had his eye on a rundown railroad which his associates were urging him to take over and rejuvenate as an independent route from Pittsburgh to Lake Erie. Vanderbilt himself had not lived out the hectic year of the crisis and his heirs proceeded in 1889 to remove the South Pennsylvania permanently as a threat to the stability of the eastern railroad situation, by buying up the other Syndicate members' interests at a price of sixty cents for each dollar they had originally invested in the venture. Shortly thereafter the Pennsylvania settled its "moral obligation" to the Vanderbilts at the rate of thirty-two cents on each dollar which William H. had sunk in the project. The property was sold for taxes in 1890 to George F. Baer, financial associate of Morgan and president of the Reading, which by now was securely under the control of a Morgan-inspired community of interests which had begun to take shape around the Vanderbilt properties. The people of the southern edge of Pennsylvania had been deprived of new rail service by the ironic working of a law designed to preserve competition. Or had they? Whether the Pennsylvania would have completed the South Pennsylvania is debatable. Within fifteen years its main line would become chronically congested with the enormous traffic which grew up after the depression of the 1890's. The shorter southern route might have become the pathway for the

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62 CFC, XLI (Sept. 26, 1885), 357.
63 CFC, XLIII (Dec. 25, 1886), 357; XLVI (May 12, 1888), 621; XLVIII (Jan. 26, 1889), 128.
64 Hendrick, II, 33. This new road was the Bessemer & Lake Erie, the first important railroad ever built by a private corporation to serve its own needs.
65 CFC, XLVIII (Feb. 2, 1889), 160.
66 Kennedy and Burgess, 412.
Pennsylvania’s fast, through passenger trains. It is unlikely, however, that it would ever have carried through freight.67

Meanwhile the complicated affairs of the West Shore had reached the critical stage. The promoters—the principals of the North River Construction Company—had seen their own concern declared bankrupt in January, 1884, but they were still trying desperately to delay the day when they would lose control of the property and thereby their last chance to sell out to an eager buyer.68 Hope that either the Central or the Pennsylvania, in their state of warfare, would be willing to buy the road, diminished as both companies seemed willing to allow the West Shore to die a languishing death. The inevitable bondholders’ committees had been formed but had failed to produce a plan of reorganization to which a majority would assent.69 The promoters tried frantically to whip up enthusiasm for a sale. Names of prominent railroad men who were known to be seeking greener pastures were bandied about: W. H. Osborne, former president of the Illinois Central;70 George R. Blanchard of the Erie; and even Albert Fink of the eastern trunk line pool were mentioned. In a last effort to fan the Pennsylvania’s competitive spirit, Winslow and Pullman journeyed to Philadelphia on June 15, 1885, to offer A. J. Cassatt, the able and ambitious vice-president of that road, the receivership of the West Shore. With no apparent opportunity to advance further in the Pennsylvania hierarchy, Cassatt was interested, but only on the condition that the Pennsylvania formally back the undertaking.71

67 CFC, L (Mar. 22, 1890), 423. In 1940 the State of Pennsylvania, realizing the pressing need for faster and safer vehicular transportation between eastern and western Pennsylvania, undertook to build its famous Turnpike. The Turnpike Commission recognized the great value of the South Pennsylvania right-of-way, especially its tunnels, as a route for a new road. The Pennsylvania Railroad and the Baltimore & Ohio Railroad, which had bought a portion of the old property for some project which it never carried out, each received $1 million for such rights as they were considered to have in it. Today the old South Pennsylvania route carries freight and passengers in competition with the Pennsylvania and other northeastern railroads by a mode of transportation which Vanderbilt could never have imagined. Frank C. Harper, *The Pennsylvania Turnpike, the 21st Century Highway* (Pittsburgh, 1942).

68 CFC, XXXVIII (Jan. 19, 1884), 88.

69 Ibid., XXXIX (July 19, 1884), 71; XL (Apr. 11, 1885), 454; XL (Apr. 25, 1885), 508.

70 New York Times, June 5, 1885, p. 2; June 11, 1885, p. 2. July 28, 1885, p. 5; July 28, 1885, p. 2. These maneuverings contributed to the legend that the Pennsylvania Railroad had a financial interest in the West Shore. His career in railroading apparently over, Cassatt resigned from the Pennsylvania upon Thomson’s accession to the presidency, but returned upon the latter’s pre-
Roberts and Thomson, however, were not interested; the head of the
House of Morgan was now on the scene and would shortly make good
his guarantee that as part of the over-all peace plan the West Shore
should belong to no one more threatening to the Pennsylvania than
the conciliatory New York Central.

The firm of Drexel, Morgan and Company issued a circular on
July 27, 1885, offering to exchange a $1,000 four-per-cent bond of a
new West Shore Railroad Company, bearing the guarantee of the
Central, for every $2,000 of first mortgage bonds of the old New
York, West Shore & Buffalo.72 In addition to the $25 million of bonds
thus issued to replace the old $50 million issue, the Central was
shouldering the burden of another $25 million of the same security
to retire the floating debt of the old company, to acquire the terminal
subsidiary’s bonds on the same one-for-two basis, and to complete
the construction and equipping of the road. A lease with renewal
option relieved the Central of any immediate fear that the West
Shore would fall into unfriendly hands—the agreement runs until the
year 2861. The bondholders, most of whom had bought the old securi-
ties at large discounts anyway, quickly agreed to the Morgan plan.73

On November 24, 1885, Morgan, Depew, and Ashbel Green, receiver
of the North River Construction Company and Morgan’s legal coun-
sel, boarded a special train at the Grand Central depot. At Fishkill
they transferred to a ferry which took them to Newburgh, New York,
where the court-ordered bankruptcy sale of the West Shore was
about to take place. “I am here,” trumpeted Mr. Depew to a bevy
of reporters, “to offer myself as a bloodless sacrifice for the bond-
holders and stockholders of the two roads.” But all eyes turned
toward J. Pierpont Morgan as the auctioneer asked for bids.
“Twenty-two million dollars,” whispered Morgan, who was sitting
tilted back in his chair against the courtroom wall. True to his pro-
fession, auctioneer John Corwin “looked beseechingly around the

72 New York Times, July 28, 1885, p. 2; CFC, XLI (Aug. 1, 1885), 133.
73 Ibid. (Aug. 25, 1885), 242.
room as he urged someone to raise the bid, if it were only five cents," but the man who would out-bid J. P. Morgan, if he existed at all, was not in the Newburgh courthouse that day.74

The West Shore–South Pennsylvania affair yielded bitter fruit for the "robber barons" of legend. The Syndicate members, other than Vanderbilt, lost 40% of their investment, or about $1.6 million. The Vanderbilt estate lost about $2.4 million after deducting the $1.8 million which the Pennsylvania paid it.75 The promoters of the West Shore may have profited from their wearying five-year effort, but the gains cannot have been very great. It is very unlikely that Drexel, Morgan and Company would have advised their client to offer more for the West Shore than it actually cost to build, or that the $22 million minimum bid which the court demanded was much less than the physical value of the property. Out of a maximum of $35 million raised, this leaves some $10 million or less that could be accounted for only by a close look at the company’s books. Operation of the road at a steeply climbing deficit, however (at the end the West Shore was not even earning out-of-pocket expenses), plus underwriting commissions to Winslow, Lanier and Company doubtless absorbed most of it. Apart from commissions and salaries, which appear to have been more generous than the precarious state of the road’s finances justified, the promoters may have sold some of their bonds at good profits before the securities became so heavily discounted. Whatever their gross, however, their losses in the North River Construction Company seem likely to have exceeded it.76

A significant aspect of this crisis of rugged individualism was the self-control with which the Pennsylvania Railroad held itself aloof

75 The total spent on the road was roughly $5.8 million, of which Vanderbilt had one-third. The Vanderbilt estate bought the other interests at sixty cents on the dollar, and then “buried” the project, in recognition of which the Pennsylvania paid the estate $1.8 million. The Pennsylvania received a $1 million windfall fifty years later from the Pennsylvania Turnpike Commission.
76 CFC, XLI (Oct. 10, 1885), 420. Henry Villard, in his memoirs written in the third person, claimed that “the greater part of his investment was lost.” Henry Villard, Memoirs (Boston, 1904), II, 315. Thomas C. Cochran, in “The Legend of the Robber Barons,” Pennsylvania Magazine of History and Biography, LXXIV (1950), 314, says that “The roles that he [Villard] played poorly were those of an expert railroad builder and conservative business forecaster.”
from the conflict until the very end. As spice for the popular writings that pass for histories of railroad “tycoonery” in the eighties, however, the myth that the Pennsylvania seized the West Shore in direct warfare against the Central seems to have been too good not to be true. Once content merely to claim that the Pennsylvania bought up some West Shore bonds, these writers now tell us that the Pennsylvania actually seized control of the moribund road. On the contrary, the serious student of the development of the American economic system in the nineteenth century can only be impressed by the mature vision and single-mindedness of purpose which the Pennsylvania management displayed almost from the day it began, ten years late, to link Philadelphia with the interior. By the time the crisis of individualism in the management of American railroads was reached in the 1880’s, the Pennsylvania had developed a system of professional management to which the other great railroads were beginning to turn. In 1881 relations between the Eastern trunk lines had been rapidly deteriorating, yet by 1885 the formula for the orderly relations of the future had been found. If a tradition of professional management, rather than the exercise of individualistic drive, had not already become well established within the organizational structure of one of the principals in the struggle, it is unlikely that stability would have been attained until much later and without greater social loss.

The settlement of 1885 was the first great achievement of American finance capitalism. It would be neatly dramatic to say that finance capitalism in the United States was actually born on the afterdeck of the Corsair on that hot July afternoon. But if any event can be said to mark the start of this new era in industrial finance, it was Morgan’s successful marketing of a large part of William H. Vanderbilt’s New York Central holdings in 1883. The “pax Morgana,” however, demonstrated to investors that their bankers could and would exert their influence to assure the protection of capital values. Public ownership of business enterprise marked the beginning of the end of rugged individualism in what was rapidly becoming big business, but men like Vanderbilt had to learn the news

from men like Morgan. During the next two decades American industry was to embrace the doctrine of interdependence with an enthusiasm which would lead to a great outcry against concentration of economic power. The movement would be blunted and modified, and the crude techniques of J. Pierpont Morgan and his emulators would give way to a succession of refinements, but the age of rugged individualism would never come again.

*State University of New York,*
*College at New Paltz*  

Albro Martin