The idea that railroads remade North America and in doing so created the modern corporate world is hardly new. Modern scholars have proclaimed it repeatedly, and in this they only follow the nineteenth-century intellectuals and promoters whom they cite. All of the possibilities that arose with railroads seemed magnified in the transcontinentals, which came to epitomize progress, nationalism, and civilization itself not just in the United States but in Canada and Mexico as well. I have my doubts about civilization, but I will accept the rest. All I would change is that they created modernity as much by their failure as their success.

The very name “transcontinental” communicated the hubris and power of a new technology that wrapped the continent in iron and steel bands, but the term also communicated the illusory and deceptive qualities of these corporations, which were never quite what they seemed. For the transcontinentals did not really span the continent. In the United States they had their initial eastern termini in cities and towns along the Missouri River. For connections to Chicago they depended on what were often far more powerful and better-run roads—the Burlington system, the Chicago and Northwestern, the Rock Island, and others—that sometimes dallied with the idea of becoming transcontinentals themselves but settled for competing with the lines that reached the Pacific in their richest territories.

Only later would the American transcontinentals directly connect to major population centers in the Midwest, and they never stretched to the Atlantic Coast. . . . When I write about transcontinentals and other western railroads, I am not necessarily talking about railroads in general—I don't have the evidence to do so. But I am still talking about some of the largest corporations in North America. In the late nineteenth century, large corporations mainly meant railroad corporations and a few other powerful organizations—Standard Oil, Western Union, and Carnegie Steel—that were intimately associated with them. Although Americans still celebrate the West as a bastion of individualism, corporations, along with the federal government, were central to its creation.

Nineteenth-century North Americans became quite aware of what transcontinental railroads failed to do, but initially they embraced them, as they embraced all railroads, as the epitome
of modernity. They were in love with railroads because railroads defined the age. The claims made for railroads by men who wrote about them were always extravagant. The kind of hyperbole recently lavished on the Internet was once the mark of railroad talk. "Here," wrote Charles Francis Adams, the railroad reformer who eventually became president of the Union Pacific, "is an enormous, an incalculable force practically let loose suddenly upon mankind; exercising all sorts of influences, social, moral, and political; precipitating upon us novel problems which demand immediate solution; banishing the old before the new is half matured to replace it; bringing the nations into close contact before yet the antipathies of race have begun to be eradicated; giving us a history full of changing fortunes and rich in dramatic episodes."2

The transcontinentals, more obviously than other railroads, were entwined with the state. Governments subsidized them, secured their rights of way, regulated them, and protected them. The first transcontinentals began as hybrid public/private enterprises and ended up as private corporations, but their public roots remained. By the end of the century, with the transcontinentals under political attack virtually everywhere, the government suppressed their workers and protected the rights—and enforced the obligations—of their owners and managers in the name of public good and public order.3

The railroads, in turn, were agents of the expansion of these states. What these railroads allowed the governments of the United States, Canada, and Mexico to accomplish in the late nineteenth century was remarkable. In the United States, they took credit for conquering the Indians. As Charles Francis Adams put it, "the Pacific railroads have settled the Indian question."4 The railroads also took credit for settling the West. They took credit, indeed, for all of the development between the center of the continent and the Pacific. Non-Indian settlement had taken two and a half centuries to reach just beyond the Mississippi River in the United States and had crept only along the eastern Great Lakes in Canada. Neither Spain nor Mexico, despite centuries of struggle, had managed to control the northern reaches of Mexico.

Together these railroads formed a lever that in less than a generation turned western North America on its axis so that what had largely moved north–south now moved east–west. Railroads poured nonindigenous settlers into a
vast region that nation-states had earlier merely claimed. They did not do this in response to a popular demand for development of these lands; instead, they created the demand through vast promotions unlike anything seen until that time. Having promoted new settlement, they helped integrate these settlers into an expanding world economy so that wheat, silver, gold, timber, coal, corn, and livestock poured out of it.

It may seem both churlish and mad to question the railroads’ accomplishments. No one, after all, claimed that they came without a cost, particularly to Indian peoples, or that mistakes were not made and a certain amount of corruption generated, but these admissions tend to be of the “say what you will” variety: say what you will, the result was worth the price, and the lives of tens of millions of people were the better for it. But questioning these accomplishments is what this book does. The issue is not whether transcontinental railroads eventually proved to be a good idea; it is whether they were a good idea in the mid and late nineteenth century. The idea of a transcontinental railroad was not in and of itself bad, but why were so many of these railroads built at a time when there was so little need of them? The nineteenth-century critics of the railroads were often right: these western railroads very often should not have been built when they were and how they were. Their costs over the long term, and the short term, exceeded their benefits.

In all three countries the railroad corporations either failed—ending up in receivership—or were rescued by nation-states, which forgave loans, renegotiated terms of payment, or nationalized the roads. Their failures as businesses were only the beginning. The railroads were also political failures. Having helped both to corrupt and to transform the political system by creating the modern corporate lobby, which they used to compete against each other, they then found it an expensive and sometimes nearly impossible burden to bear. Their political activities in the western United States and Canada were by the end of the century increasingly counterproductive. Politically, as well as financially, they often became wards of the courts. Finally, they were, in large part, social failures. They lured settlers into places where they produced crops, cattle, and minerals beyond what markets could profitably absorb and where their production yielded great environmental and social harm. It was no wonder that railroad corporations came to be hated, and that opposition to them as monopolies—one of the key words necessary to understand late-nineteenth-century American and Canadian politics—fueled the reform movements of three countries. These railroad failures are essential to understanding the complicated development of modernity and the historical role of corporations in it.5

Like [the great economist Joseph] Schumpeter, Railroaded emphasizes finance capitalism—the use of credit and the financial markets—as the central engine of corporate growth and expansion in late-nineteenth-century North America. It was not “capital” that built the railroads but credit, and the capital that was ultimately at risk in the railroads did not belong to the men who controlled them. Thomas Scott, Jay Gould, Collis P. Huntington, Henry Villard, and others were entrepreneurs; the capitalists were the far more anonymous and numerous figures who bought the bonds that allowed the railroads to proceed.

The markets these entrepreneurs used and exploited were historical; they comprised particular practices, most with active state involvement: subsidies, regulations, military protection, and so on. In this book there is no such thing as a market set apart from particular state policies, institutions, and social and cultural practices. The question is not whether governments shape markets, it is how they shape markets.

Although the transcontinental railroads emerged in markets shaped by large public subsidies and
particular legal privileges, neither subsidies nor privileges were new in and of themselves. American states had subsidized and granted special privileges to canals, banks, and railroads in the 1820s and 1830s. These proliferating and often financially disastrous subsidies had brought a constitutional reaction in the 1840s that dramatically curtailed the ability of the states to subsidize development and lend their credit.\(^6\) It left the ground open for the federal government.

Railroad entrepreneurs were innovators. They sought advantage by adopting new techniques. But where the celebrations of entrepreneurs usually make their success synonymous with the firm, the men I examine usually succeeded at the expense of the firm.\(^7\) The paradox at the heart of this book is that such individual success as there is usually comes at the price of corporate failure. Personal wealth often brings with it social failure. The innovations entrepreneurs brought to the railroads—financial mechanisms, pricing innovations, and political techniques—were as harmful to the public, to the republic, and even to the corporation as they were profitable to many of the innovators.

Many of my entrepreneurs obtained great fortunes, but they created inefficient, costly, dysfunctional corporations. These corporations did spur innovations in production, but that was the problem. They built railroads that would have been better left unbuilt, and flooded markets with wheat, silver, cattle, and coal for which there was little or no need. They set in motion a train of catastrophes for which society paid the price. They often squandered large amounts of capital and labor for no good end. Many of the investments would have been better in other sectors of the economy.

There is a great truth in [Schumpeter's] idea of creative destruction [the necessity of capitalism always to uproot the old in order to institute the new\(^8\)]. but when applied indiscriminately it begins to look much like a kind of trust in the ultimate benevolence of markets and entrepreneurs that is little different from the older trust in God's plan that Voltaire skewered in Candide. No matter what happens tout est mieux—all is for the best. The late-nineteenth-century West was more Voltaire's country than Schumpeter's. All was not for the best.

A basic problem of the transcontinentals was that they were built ahead of demand. That a transcontinental railroad might be a good idea in 1900 does not explain building it in the 1860s, 1870s, and 1880s, particularly when the results contributed to two depressions in the 1870s and 1890s and a sharp, if short, economic downturn in the 1880s. The North American West needed railroads in the late nineteenth century. What it needed was what turned out to be the functional—if still often mismanaged—part of the system: feeder roads into Chicago, St. Louis, and San Francisco. It did not need transcontinentals, at least not the multiple roads that ran from the 100th meridian to the Pacific. These were the roads that never paid for themselves in the late nineteenth century and left disaster in their wake. They came too early, in too great an abundance, and at too great a cost.

The interesting issue is how this happened. To examine these railroad corporations is to see half a continent—the western United States, western Canada, and northern Mexico—in a new light. This is the story of the opening up of a continent that could easily have been opened up more slowly, more gingerly, and more humbly. This is a book about corporate failure and corporate mistakes that were by almost every measure—economic, social, political, and environmental—transformative mistakes. The railroads were like bad art; they were not accidents. People planned these things; they were purposeful. And in so far as their repeated failures and collapses were part of larger failures and collapses, the railroads also seeded the financial clouds that produced the storms that overwhelmed them.
Building on decades-earlier depictions of the railroads as exploiting the public and garnering the profits while leaving the government financially burdened, this 1908 political cartoon portrays a well-dressed “railroad” with “land grants” and “franchises” walking beside Uncle Sam, who is bent under the weight of “operating expenses,” “corruption fund,” “construction costs,” and other liabilities. The illustration’s caption reminds viewers that “they were at least silent partners in the railroad business by reason of the franchises they had granted and the investments they had made in the railroad properties themselves.”

The best way to understand the transcontinentals’ simultaneous failure as businesses and success as sources of individual fortunes for insiders is to regard them not as new businesses devoted to the efficient sale of transportation but rather as corporate containers for financial manipulation and political networking. They employed rational managers, but they were led by financiers. The financiers made money through subsidies, the sale of securities, insider companies for the construction of the railroads themselves, and land speculation. Each funneled corporate resources into private pockets. To do this, they needed considerable political aid and protection.

In the paradox of transcontinental railroads as transformative failures lies their historical importance and interest. The transcontinentals were monuments to arrogance, ignorance, and greed, but this was not all they were. They shaped modern North America, and saying this involves five claims.

My first claim goes to their relationship with central governments—the state. When we look closely at the U.S., Canadian, and Mexican government relationships with the western railroads, we find an interlocking network of what I, using the language of nineteenth-century corporate officials and politicians, call friends. The railroads smudged the line between corporate competition and federal regulation. Corporations used the federal government to punish rival corporations while gaining advantages for themselves. They made politics a realm of private competition.

My second claim goes to how railroads reshaped the sense of time, and more significantly, space. Railroads, so the cliché goes, annihilated space and time, and they obviously did cut the time and cost of travel. They made the far near. But they did so unevenly and chaotically. Nineteenth-century shippers measured distance less by time of travel than by cost, but railroad costs . . . were
an ever-changing realm of mystery. When shippers tried to calculate and compare costs, the map of the West became a crazy quilt whose pieces seemed utterly incommensurate and unstable. Calculating distance by cost meant that places slid across the map in a wild and arbitrary manner. . . . The railroads made their customers acutely aware of space, but they also rendered that space radically unstable and seemingly subject to the whims of distant corporations. . . .

The third claim of this book goes to the nature of these corporations. They were not the harbingers of order, rationality, and effective large-scale organization. In both Robert Wiebe’s The Search for Order and Alfred Chandler’s The Visible Hand, perhaps the two most brilliant and persistently influential books in shaping our ideas of the late nineteenth century, corporations became the architects of what political scientist James Scott would later call high modernism.10

In Wiebe’s formulation, the corporations became a kind of vanguard of American Progressivism, bureaucratizing, rationalizing, and seeking the services of experts ahead of the state itself. And in both Wiebe’s and Chandler’s view the corporation emerged as the realm of salaried managers, experts who displaced financiers, entrepreneurs, families, and even stockholders in the control of business enterprises. They were, for better or worse, a force for order.11

The railroad corporations in this book are not those of Wiebe and Chandler. On the level of aspiration—what the managers of corporations, as distinct from their owners and financiers, aspired to create—I have little quarrel with Wiebe and Chandler. The achievement is something else again. Managers blamed their failures on accidents and contingent events, but they also use them to cover their mistakes and claim quite fortuitous results as the fruit of their planning.12

In his work on the railroads Chandler relied on the records of boards of directors and the kinds of materials found in annual stockholder’s reports, but mine is not a view from the boardroom, or at least not from the boardroom alone. I don’t trust annual reports. I try to descend into the bowels of the organization. Move to the presidents’ offices, or, better yet, to middle management and the workers on and around the trains, and the actual practices of corporations become far more ambiguous and complicated. The corporation was often at war with itself. . . .

The organizations I describe here not only failed to institute the order they desired, they also just plain failed and repeatedly needed rescuing by the state and the courts. Railroad bureaucracy was rife with individualism. . . . those who took to their sickbeds or European tours, those who obsessed about manhood, those who were overwhelmed by a sense of failure, were not outsiders—victims caught, so to speak, on the tracks and in the path of an onrushing modernity symbolized by the railroads. They were driving the trains. The local was no less modern than the national. Throughout the book I try to draw a large-scale history down to ground level through stories of individuals whose lives were transformed by the railroads. Through their eyes we see a world that was closer to Dilbert than to Chandler. The dysfunctions of railroad corporations and their expression in individuals were not a mark of the persistence of old practices within new forms but rather a mark of their modernity.

My fourth claim goes to rehabilitating movements—particularly antimonopolism—that opposed corporations and are now consigned to the scrap heap of history. . . . As state-subsidized railroads emerged as fully private property, they revealed all too clearly in the West the inequality of the new social relations of property. And opposition to this was at the core of antimonopolism.13

My final contention is somewhat defensive and an attempt to preempt what I anticipate will be the most common misinterpretation of this book:
this is not a resurrection of the old Robber Baron literature that Wiebe and Chandler helped to kill. All of these western lines do lead back to a relatively small group of promoters and financiers. These men—Jay Cooke, Jay Gould, Thomas Scott, Collis P. Huntington, Leland Stanford, James J. Hill, John Murray Forbes, Henry Villard, and others—are hardly historical strangers, and they have usually been portrayed as bigger than life. Such tycoons were, in David Bain’s recent words, “the heedless royalty of the developing republic, crushing enemies, exploiting the powerless, building empires.”

I wish, if only for simplicity, that I could say, for better or worse, that these tycoons dreamed modernity, built empires, and gave us the world we know. They were, however, not that smart. Many were clever enough at soliciting money and not repaying debts. The shrewdest of them were masters at controlling and manipulating information. We have their equivalents today. They were more likely to feel abused and threatened than imperious. The power they achieved traveled porous channels. It leaked away and had unexpected outcomes. These were men whose failures often mattered as much as their successes. Their inability to turn the transcontinentals into profitable businesses led them into halls of power they otherwise would never have frequented. With perhaps the exception of Gould, there is a Sorcerer’s Apprentice quality to them. They laid hands on a technology they did not fully understand, initiated sweeping changes, and saw these changes often take on purposes they did not intend.

This Sorcerer’s Apprentice quality is why I find them so interesting, and so important. They at least gesture toward one of the mysteries of modernity. How, when powerful people can on close examination seem so ignorant and inept; how, when so much work is done stupidly, shoddily, haphazardly, and selfishly; how, then, does the modern world function at all? Although historians have tried to diminish the corruption of the Gilded Age, it is hard to study the period without being aware of how corrupt the normal procedures of business and governance became in the late nineteenth century. The Gilded Age forced me to take corruption seriously, but it was writing about the Gilded Age and living in the early twenty-first century that made what I was studying seem more than just a phase, the unruly youth of corporate capitalism. There was Enron, the dot.com bust, followed by the credit crisis and the banking scandals of 2008 and 2009, and the government intervention to rescue corporations that in their own failure had brought the country to its knees. As in the nineteenth century, highly leveraged corporations, marketing dubious securities that were more inventive than comprehensible even to their creators, precipitated massive losses, receivership, government rescues, and severe economic downturns. The present seems so nineteenth century. The parallels, of course, are not exact—they never are—but they are startling.

In the nineteenth century there was a movement not only to control abuses and injustices but to rethink the relationship of the republic, and its citizens, to its economy. The larger rethinking failed, but over the next half century some reforms achieved significant success. Antimonopolism was the root of this reform. It was a flawed movement. In the West it was racist to its core, but its proponents created a politics that forced politicians to confront larger economic and social issues. Although not all readers will think so, this is a hopeful book. In paths forged, diverted, abandoned and resumed, history shows us that things need not be the way they are.

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NOTES

RAILROADED: INTRODUCTION, BY RICHARD WHITE, PP 5–11


5 Most American historians have relegated the study of corporations to the subfield of business history. Business historians have thrived on the neglect of their colleagues and created an impressive body of literature that should be better integrated into the larger narratives of American and Canadian history.


9 I would like to thank Woody Powell for this formulation.


13 Roy, Socializing Capital, 4.

14 David Howard Bain, Empire Express: Building the First Transcontinental Railroad (New York: Viking, 1999), 711.

WHAT IS THIS RAILROAD DO TO FOR US?, BY WILLIAM DEVERELL, PP 12–15

The title is adapted from Henry George’s 1868 essay on the impact of the transcontinentals: “What is the railroad to do for us?—this railroad that we have looked for, hoped for, prayed for so long?” George, “What the Railroad Will Bring Us,” The Overland Monthly, 1 no. 4 (Oct. 1868).

Caption sources: “Etc.” Overland Monthly, 1 no. 1 (July 1888), 99–100; White, Railroaded, Appendix, 528 (Chart B: Fruit and Sugar as Proportions of Eastbound Freight).


2 A. N. Towne to Hubert Howe Bancroft, Oct. 9, 1886, Collins P. Huntington Archive, The Hispanic Society of America; my thanks to Shelley Bennett for bringing this letter to my attention.

3 Ibid. An early sentence spoke of “the great work,” “the great struggle,” and “the great enterprise” in one breathless, long clause; the tone throughout is one of self-congratulatory grandeur.

4 It isn’t surprising that this assessment came in the pages of Bancroft’s evaluation of Towne himself; see Bancroft, History of the Life of Alban N. Towne: A Character Study (San Francisco: The History Company, 1891), 197.


CAPITALISM, COUNTERFACTUALS, AND THE NATIONAL STATE: REFLECTIONS ON RICHARD WHITE’S RAILROADED, BY DANIEL CARPENTER, PP 16–27


2 The economist Milton Friedman, recipient of the Nobel Memorial Prize in Economic Sciences, was a proponent of the free-market philosophy and of “monetarism.”

3 Charles Cockerill, Collis P. Huntington, Leland Stanford, and Mark Hopkins, board members of the Central Pacific Railroad Company, collectively were known as the Associates.

4 In Voltaire’s satirical novella, Candide, the tutor Dr. Pangloss is a caricature of optimism who espouses the philosophy that the world he lives in is “the best of all possible worlds.”

5 I refer here to Max Weber, the German social theorist whose writings on “bureaucracy” defined a model of social, governmental, and economic organization. In Weber’s perception, bureaucracy was a mode not only of government but a mode of humans ruling over one another in the economic, social, cultural, religious, and political spheres. Weber, Wirtschaft und Gesellschaft [Economy and Society], 2 vols. (Berkeley: University of California Press, 1978), 956–1003.