Starting Arguments: Quarrels over Time and Space

By Richard White

It may seem a perverse reaction to criticism, but this session on *Railroaded* was a rare pleasure. Having colleagues that I respect as much as Naomi Lamoreaux, Steve Usselman, Daniel Carpenter, and Eric Rauchway take the time to critique a book as recently published as *Railroaded* is an honor. Whenever I listen to them, I learn something. I appreciate their criticisms, their wit, and their good humor. I also appreciate Bill Deverell’s hard work in organizing this session.

The academy at its best remains the home of careful reading, reasoned debate, and informed disagreements. These are all qualities that I wish were more widespread in American society. These scholars do not concentrate on tangential points or create red herrings. They go after what are key issues in my work, state my positions, at least for the most part accurately, and question critical issues of evidence.

They are all also as direct as the book itself. Eric Rauchway emphasizes my deliberate use of vernacular and quite blunt prose. If I were ever to found a university, its motto would be *En garde*, and I now need to live up to that motto. Having made some bold assertions in *Railroaded*, these critics challenge me to defend them. My goal in any book that I write is to start arguments, not to finish them. Having started an argument, it remains for me to try to match their cogency while defending my positions. Rather than reply to all these critiques point by point, I will respond to the larger issues my critics raise.

My critics are all astute historians who generally realize that my main targets here are not really the tycoons themselves, but versions of the American past that they represent. One of the few statements of my views I challenge is Naomi’s claim that I think the problems of the late nineteenth century were “produced by greedy financiers who manipulated the political process to further their own ambitions.” On the contrary, I emphasize that my guys were not smart enough or powerful enough to produce the problems of the late nineteenth century. They were greedy, but in many respects remarkably inept. Their corporations, more often than not, failed. What interests me is how these tycoons profited from failure and how failures produced corporations that shaped the rest of the century. I am targeting both a naïve entrepreneurial history and the functionalist managerial history of Alfred Chandler and Robert Wiebe. Chandler and Wiebe get much right, but I think their models can’t explain much of what I find in the late nineteenth century.

Given the themes of this book, it is fitting that my key disagreements with my critics center on time and space. Where an author ends a story affects the meaning of the story. I chose to end the book in the depression of the early 1890s, when the transcontinentals collapsed into receivership. This makes the book seem, in literary terms, a tragedy. Dan and Steve put forth a different time frame, one that culminates in the early twentieth century. Their time span would give the story a happy ending by replacing my failed transcontinentals with twentieth-century regulated railroads.
Temporal framing has more than literary significance. Dan and Steve accuse me of neglecting the nationalization of politics, slighting the emergence of a capable and effective class of middle managers and bureaucrats, and underestimating the importance of the formalism embedded in procedures, tables, and reports. But to make these developments the culmination of my story, would be to write Whig history, giving what happened in the Progressive Era precedence over the events of the Gilded Age. Such a Whiggish emphasis would make the transnationals and antimonopolists into so many John the Baptists preparing the way for a later period's efficient corporate managers and Progressives.

The Progressives and Socialists of the early twentieth century created national parties that were, in terms of scale and organization, very different from antimonopolism. The nationalization of politics was hardly triumphant during my period. The tariff might have been a pillar of the Republican Party in the West, but the gold standard and antiregulatory stances were not. The West was a land of Silver Republicans and often strong Republican support for railroad regulation and commissions. Many of the votes on critical anti-monopoly issues involved cross-party coalitions. Similarly, Texas, Iowa, and California were states that did effectively constrain the railroad corporations. By the end of the period, vanguard antimonopolists were struggling to impose national controls, but, as I emphasize, theirs was only one approach and it came to fruition later.

My plotting of the book as a tragedy might seem to validate Steve Usselman's eloquent doubts that Railroaded is the optimistic book that I claim, but I think that my optimism is really not that different from his. For all its very dangerous flaws, antimonopolism was a movement of ordinary people confident that they could understand and rearrange their economy to serve democratic interests. Steve locates the virtues and efficacy of ordinary people in his middle manager, while I find it in the best of the antimonopolists, but the virtues and efficacy we praise are essentially the same.

Steve's middle managers are recurring figures in his and Dan's critiques of Railroaded, and here, too, our differences are, in part, those of periodization. Steve argues that I neglect these carriers of an underlying order while dwelling on their more flamboyant superiors. Dan, with his usual astuteness, catches my oversimplification of Max Weber and, more crucially, thinks that I have underestimated the very real bureaucratization and systemization of the era. The formal structures of laws, pools, commissions, rates, and tables all mattered not necessarily because they described and constrained reality, but because they created trappings of legitimization for power.

Given the amount of time and energy my characters put into creating the fictions of annual reports, freight rate tables, "arbitraries," and organization charts, I can hardly disagree about their importance. And although sometimes Dan, Steve, and Eric suggest that Railroaded is really about an anarchic West, I am actually after the political and economic order that sustains and even rewards certain kinds of failure. The book examines a contest over power, and I agree very much that the formalisms that Dan cites were a critical aspect of that struggle.

In the abstract, I really have no quarrel with my critics in this respect, but in practice our differences are, again, ones of temporal framing and timing. I do think my focus on the Gilded Age highlights processes that are lost when my critics collapse together the Gilded Age and the Progressive Era. Steve is perfectly right that my chapter on middle management is refracted through Charles Francis Adams. I chose Adams because he was the single most important western railroad man trying to institute system and structure during the late nineteenth century. In using Adams and the Union Pacific, I took a shortcut. My bet is that watching Adams—the most
Chandlerian of any of my presidents and owners—trying to bring order to the Union Pacific reveals more than it distorts. The Union Pacific and other roads eventually may have looked like Chandlerian corporations in the early twentieth century, but my point is that the attempt to make them so failed in the 1880s.

I am aware of the counterevidence that Steve raises. Steve is right, for example, that there were systematic brake trials. But the management of many western roads, as I detail, neglected the results in regard to freight. Charles Perkins of the Burlington did not want automatic brakes because they tempted trainmen to run trains faster and thus increase wear on tracks. And Steve is also right about the professionalization of freight agents. I quote their annual meetings and conventions, but I also try to place them back into a remarkably conflicted corporate order. Railroad freight agents, agents for the fast freight lines, and still other special agents authorized to sell at discounts created a bewildering set of prices so that managers often could not be sure what they were charging for freight. Competing rationalities created a larger irrationality. I would hardly deny that many middle managers were earnest, competent, and imaginative. What I emphasize is not so much that some of them were corrupt—as some were—but that they were manly, and manliness played havoc with bureaucracy.

My critics and I also differ over space, and here I am a little more dismayed. *Railroaded* preaches the historical construction of space, and my critics seem not so much to contest this as ignore it. One of my most basic spatial claims about the transcontinentals is that they consisted of three distinct spatial parts. The first was functional, if often overbuilt, portions east of the 100th meridian, and the second were the lines feeding West Coast ports. In between were the third: long trunk lines that made these railroads transcontinentals and which, during my period, rarely, if ever, had the traffic to sustain them. Spatially, it was these long trunk lines through traffic deserts that made them distinctive.

Both Steve, directly, and Eric, more implicitly, think that I exaggerate the distinctiveness of the transcontinentals and other western railroads such as the Denver and Rio Grande. No eastern lines, however, were subsidized to the same degree as the western transcontinentals. Only a transcontinental—the Union Pacific—had a rare federal charter and only the Central Pacific and Union Pacific had bond guarantees. Only the western lines relied on treaty negotiations and the military to clear the lines of Indian opposition. Given this dependence on the government, it was western lines far more than the eastern that developed the modern corporate lobby.

When Eric considers my arguments about subsidies, he does not distinguish between eastern and western lines. He is correct in pointing out that the government subsidized only 14 percent of American railway track, but he is citing national figures. The figure in the West was much higher. Similarly, the British cannot stand as surrogates for European investors. They did invest in western railroads, but they directed the bulk of their investments to the more developed Midwest and East. Western investment came largely from American, Dutch, and German banks and investors.

The relationship of private money to public subsidies was more complicated than Eric implies. Private money went into western railroads precisely because they were subsidized. Opposing government subsidies to private funds creates a false dichotomy. Private investors were very reluctant to finance unbuilt railroad lines. Government subsidies primed the pump. They provided the corporations with initial resources that could be mortgaged for construction. They formed the foundation for a rickety structure of first mortgages, second mortgages, and more that resulted
in heavily discounted bonds. Examining how private investment came into the western railroads underlines the importance of subsidies.

My arguments about space go beyond the geographical distinctions between various parts of a transcontinental line. Both Steve and Naomi slight my arguments about relational space and the railroads’ ability to shape it. The ability of the railroads to manipulate space and distort competition was at the heart of the antimonopolists’ attack on the railroads. Steve’s reading of Chart A
(page 35) and Naomi’s reading of Chart D (page 47) neglect the spatial and political contexts of these charts and so misinterpret them. Chart A does not, as Steve contends, show the ability of the railroad men to predict future demand; instead, it shows their ability to distort space and force goods that would have traveled by sea onto the rails. The Southern Pacific increased transcontinental traffic by first subsidizing steamships to raise their rates and thus diverting traffic to trains and, more critically, through the special contract system, which required any shipper using the railroad to transport any goods to use it to transport all goods or pay prohibitive rates. Any merchants who depended on trains to move goods within California found themselves forced to use trains to receive goods from the East. The chart reflects the success of this policy during the 1880s.

Naomi cites Chart D as part of a thought experiment to determine what it would take to shift transcontinental transportation from sea to land. She misstates the contents of my Chart D in two ways. The bulk of traffic was always local freight, not, as Naomi says, through freight. Second, and even more critically in evaluating local versus through traffic, she ignores the discussion in the text and conflates San Francisco with San Francisco Bay. Virtually all through traffic went to San Francisco, but local freight to San Francisco badly understates the total local traffic to San Francisco Bay because it does not include the huge shipments of wheat that went to Vallejo, Port Costa, and Benicia.

Spatial considerations divide Naomi and me in other ways. I do not object to her insistence that I need a more rigorous way to test my counterfactuals, but I do have quite significant objections to the abstract econometric models she proposes as the means to test them. Such models ignore the spatial analysis central to *Railroaded*. Naomi proposes an abstract spatial model—her ice cream
cone (Fig. 2, page 45). The model, however, ends up obscuring what it intends to clarify and distorting what it wants to illuminate. The problem is a basic one. The model assumes that the cost of transportation always varies with distance. For a wagon, this is largely true, but, as I spent an inordinate amount of time explaining in Railroaded, this was not true for railroads.

Thus, when she states that “the farmer who is on the margin of settlement is always going to be on the brink of failure, regardless of his mode of transportation,” and that “opposition to the railroad was concentrated on the margin of settlement and moved west when the margin shifted farther out,” she is wrong on both counts. She imagines a world that Railroaded attempts to counter: one where distance from market determines cost to market. This, as I have argued, was not how railroads worked. Long-haul rates on wheat undercut the disadvantages farmers would have faced if they had hauled by wagon. And, in fact, as George Miller showed long ago in Railroad and the Granger Laws, opposition to railroads was often less at the margins of settlement, where boosters earnestly desired railroads. It often concentrated in more densely settled areas.

Spatial issues also underlie my objections to a second model—her Fig. 3 (page 46). Here, too, the ways that railroads constructed space invalidate Naomi’s analysis. The railroads did push out her point B, but this does not support her contention that this shows their value as transcontinentals. Everything depends on where you locate point B. Naomi locates it somewhere to the east of California where it would create through traffic. The Central Pacific, California and Oregon, and Southern Pacific created point B (and point C) by pushing the margin of agriculture north and south within the Central and San Joaquin Valleys where they produced local traffic: California agricultural products coming to tidewater for shipment by sea. This buttresses, rather than discredits, my arguments about the transcontinentals being viable local roads at the ends of their routes but not viable as transcontinentals.

My differences with Naomi over spatial issues and their distortion in econometric models is necessary background to the big issue that she raises. Naomi focuses on my explicit counterfactual: if the government had not subsidized these railroads, the West would have developed more slowly with less harm to the environment, to Indian peoples, and to the settlers led into places that could not sustain them for long. Naomi is not the only one to critique the counterfactual—Dan and Eric do also—but she most fully develops her critique. Naomi grants the utility of counterfactuals, she just maintains that I have not made, or even really attempted to make, a rigorous defense of mine.

I do not think that I leave my counterfactual quite as defenseless as she indicates. I do, for example, offer an explanation as to why investors continued to buy railroad bonds after all the fraud and failure. First, the “long depression” of the late nineteenth century cut yields, tempting investors into riskier and riskier investments. Second, investors did not trust the railroads; they trusted the bankers who floated the bonds for them. This is why the Speyer Brothers play such a large role in my account. Finally, the railroads were skilled at repeatedly creating new financial instruments that seemed to eliminate the risks associated with older, discredited instruments.

I would like to give the kind of detailed information on bond sales that Naomi requests, but after devoting so much time to showing the unreliability of the financial information provided in annual reports, in Poor’s Manual of Railroads, and in most state railroad commission reports, I could hardly turn around and cite these sources as showing the actual financial condition of railroads. I did seek to discover who held the bonds
and to distinguish between various types of buyers, but I failed. Such information as I found was unreliable: those who nominally held the bonds were often not the real owners. Bonds listed as “sold” might not be sold at all but passed to insiders.

Naomi also argues for the possibility that at least some of the transcontinentals were or could have been profitable. I do discuss these claims in Railroaded and, indeed, I think Robert W. Fogel’s analysis supports my larger point. Fogel says the early investors in the Union Pacific made a profit, but it came through the Crédit Mobilier, which made money through insider construction contracts and the financial manipulation of the Union Pacific stocks and bonds. It did not come from the sale of transportation. As for Lloyd J. Mercer’s claim for the Central Pacific, it does not distinguish between the ability to make money through the literal monopoly on transportation within California that the Central Pacific enjoyed for years and a profit on transcontinental traffic. Again, this goes back to my spatial distinction between the eastern and western ends of the transcontinentals and their transcontinental trunks. Most of Nevada and Utah was useless to the Central Pacific except for holding off competing roads. As for the Great Northern, I agree that it was, compared to the other roads, built reasonably close to demand, but it is also the last road built during my period and becomes viable as a transcontinental only after my period. In the early 1890s, it had to depend on the traffic on its eastern and western ends to sustain an unproductive trunk.

Naomi also raises another critique: the transcontinentals may not have been commercially viable on their own but subsidies were justified because of Fogel’s social savings calculation. I won’t go into the difficulties of this calculation because, as Naomi recognizes, my larger objection is that it is a narrow economic calculation that does not measure the wider historical costs and benefits—environmental, political, and social—that are inextricably associated with the building of the railroads. The social benefits calculator works only within constrained econometric world that I, and most historians, see as arid and ultimately uninteresting.

Where I am most intrigued by Naomi’s challenge is when she tries to imagine how we can test a counterfactual that goes beyond the narrow calculations of social savings. Dan also gives some attention to this problem. I will grant that even in South Dakota I did not give the kind of rigorous testing of all the aspects of the counterfactual that it demands. I do think, however, that the South Dakota example indicates that subsidies were not necessary east of the 98th meridian. And because I am very careful about separating my arguments about railroads east and west of the 98th meridian, South Dakota does not undercut my arguments about the Indians having more time to adjust. I granted from the outset that the prairies would be settled quickly, subsidies or no subsidies.

Still, on the broader question, Naomi and Dan are right. I do not develop all the implications of my argument and try to test them. My true but too easy answer to this objection is that no editor of a book that seeks to move beyond a relatively narrow academic audience would publish the kind of dense counterfactual called for here. But at the Spatial History Project at Stanford, we have developed a site for Railroaded (http://www.stanford.edu/group/spatialhistory/cgi-bin/railroaded/). It is an experiment in web publishing, and it allows the possibility of developing precisely the kind of counterfactual that Naomi and Dan call for. This session has gotten me to thinking about ways that given energy and time, I might try to do precisely what my critics recommend.