

LOCAL GOVERNMENT PLANNING OF
INTERNAL IMPROVEMENTS

BY
CARTER GOODRICH

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THE rôle of local government deserves particular scrutiny in the analysis of American internal improvements. In the extraordinary combinations of private and public effort that gave to the United States its network of canals and railroads, the activities of hundreds of cities, towns, townships, parishes and counties took their place alongside those of the federal and state governments. These municipal and county decisions were often obscure, and their records are fragmentary and scattered. It is not commonly realized how frequently and over how long a period the projectors of internal improvements turned to local governments for assistance and support. During the first half-century of American railroad building there was hardly a state in which local aid was not at some time employed, and in many cases its use remained common practice after the policies of federal and state participation had been abandoned.

The purpose of this essay¹ is to examine these local government activities and to compare them with those of the federal and state authorities with respect to the character of the public planning involved. It is concerned with the question of the

¹ This is one of a series of studies prepared under the auspices of the Council for Research in the Social Sciences of Columbia University. Previous articles in the *POLITICAL SCIENCE QUARTERLY* examined federal policy in the early period and a case of state activity: "The National Planning of Internal Improvements", vol. XLIII, No. 1 (March 1948), pp. 15-44; "The Virginia System of Mixed Enterprise: A Study of State Planning of Internal Improvements", vol. LXIV, No. 3 (Sept. 1949), pp. 355-387. Other articles prepared under the same grant are: "Public Spirit and American Improvements", *Proceedings of the American Philosophical Society*, vol. 92, No. 4 (Oct. 25, 1948), pp. 305-309; "The Revulsion Against Internal Improvements", *Journal of Economic History*, vol. 10, No. 2 (Nov. 1950), pp. 145-169. These two latter will be cited as "Public Spirit" and "Revulsion" respectively.

The author has profited by the assistance of Mrs. Vivian Carlip who has done much of the research and prepared the tables in this and the preceding article.

Acknowledgments should also be made to the Law Library of Columbia University, the Indiana State Library, the Princeton University Library, and the Engineering Societies Library of New York.

extent to which the purposes and the nature of government participation in internal improvements remained the same as it became a matter more largely of local than of state or national decision. It will therefore pay particular attention to the grounds on which local aid was advocated, to the conditions under which it was authorized, to the relationships between the public authorities and the railroad companies, and to the extent to which the local governments exercised and retained initiative with respect to the enterprises to which they gave their support.

The Legislative Basis

A first indication of the extent of resort to municipal and county aid, and some insight into the philosophy underlying it, may be obtained from an examination of the legislation on which it was based. Table I gives a summary view of the number and timing of state laws, in the years from 1830 through 1889, which authorized local governments to extend aid to railroads. Some of the laws were of general application stating the conditions under which any county or municipality, or any authority of a specified type, could aid any railroad. A much larger number were special laws or charter provisions limited either to a specified road or roads, to a specified community or communities, or to both.

What the Table makes conspicuous is the extraordinary amount of legislative activity and its wide dispersion across the country. Nearly 2,200 special laws were enacted during the sixty-year period. In addition the great majority of states adopted general laws. Of all the thirty-eight states that became members of the Union before 1890, only two—Colorado and Oregon—appear to have had no legislation authorizing local government aid. Even these exceptions, moreover, are more apparent than real. There were instances of the guarantee of railroad bonds in Oregon, and Colorado had had local aid under territorial legislation before it entered the Union in 1876 with a constitutional provision against it.² Even New

² *American Railroad Journal* (hereafter cited as ARJ), vol. 41 (1868), pp. 608, 719; *Colorado Revised Statutes*, 1868, p. 134.

Jersey, often thought of as the state most completely opposed to public participation in internal improvements, provides two instances of special laws authorizing local aid. During this period, no state in the Union stood completely outside the movement for local government aid to railroad construction.

A second point of interest is the timing of the legislation. The period of greatest activity fell between the end of the Civil War and the panic of 1873. Well over a third of the special laws and about half of the general laws cited were concentrated in these few years. On the other hand, it is no less significant to note the length of the period during which American state legislators continued to resort to this method of encouragement to railroad construction. Special laws began almost with the beginning of railroads, but the first of the general laws and the great bulk of the legislation were not adopted until after the "revulsion" of the forties had followed the first enthusiastic wave of state expenditure for internal improvements. Sometimes, indeed, the authorization of local aid was the direct sequel to the adoption of constitutional provisions forbidding the extension of aid by state governments. In turn measures of local aid were themselves in a number of cases ended by constitutional provision.³ Yet the Table shows that a large number of special laws were still being adopted in the eighties and that in 1890 general laws were still in effect in fifteen states. New measures authorizing local aid continued to be enacted in the nineties and even in the present century.

Table II outlines some of the more significant provisions of the general aid laws. Many laws limited the form which aid might take to one or more of the following types: subscription to stock, purchase of railroad bonds, "the loan of credit", the guarantee of principal or interest, or the outright donation. On one occasion the Massachusetts legislators took pains to make it clear that the town should be free to take part in the organization of a railroad corporation.⁴ In several states with active aid programs, the laws provided that the local authority

³ Goodrich, "Revulsion", pp. 150-151 and table on pp. 155-161. See also Table II.

⁴ Mass., 1874, ch. 251, p. 167.

TABLE I
STATE LAWS AUTHORIZING LOCAL AID TO RAILROADS, 1830-1889

Region and State	General Laws in Force Affecting: *		Number of Special Laws							
	Counties	Municipalities	1830s	1840s	1850s	1860-65	1866-73	1874-79	1880s	1830-1889
<i>New England</i>										
Maine .....	.....	1867-.....	...	2	11	7	43	9	5	77
New Hampshire ...	.....	1864-1867	1	...	...	...	1	1	...	3
Vermont .....	.....	1872-.....	...	...	...	3	41	6	5	55
Massachusetts ....	.....	1870-..... ^b	...	...	3	14	46	...	3	66
Connecticut .....	.....	.....	...	...	2	...	6	...	...	8
Rhode Island .....	.....	.....	...	...	1	2	8	1	3	15
<i>Middle Atlantic</i>										
New York .....	.....	1869-1874	4	1	30	5	94	3	...	137
New Jersey .....	.....	.....	...	...	...	...	2	...	...	2
Pennsylvania .....	.....	.....	...	4	34	...	...	...	...	38
<i>South Atlantic</i>										
Delaware .....	.....	.....	...	...	1	...	2	...	...	3
Maryland .....	.....	.....	6	1	5	3	26	8	7	56
West Virginia	1863-.....	1873-..... ^c	.....	.....	.....	1	29	...	...	30
Virginia	1848-.....	1867-..... ^d	12	10	36	4	41	33	67	203
North Carolina ...	1869-.....	.....	...	...	19	8	54	32	74	187
South Carolina ....	.....	.....	...	1	3	2	6	20	62	94
Georgia .....	.....	.....	...	...	3	1	...	...	...	4
Florida	1855-1875	1855-1875	...	...	5	2	...	...	...	7
<i>East North Central</i>										
Wisconsin	1872-.....	1872-.....	.....	1	78	25	89	...	3	196
Michigan .....	.....	1869-1872 ^e	2	...	...	24	4	...	...	30

*East North Central
(continued)*

Illinois	1849-1870	1849-1870	2	3	61	14	146	...	...	226
Indiana	1869-1875 ^r	1867-..... ^k	13	23	9	...	...	1	...	46
Ohio .....	.....	.....	8	36	70	...	5 ^b	6 ^b	53 ^b	178
<i>East South Central</i>										
Kentucky .....	.....	.....	...	3	6	...	1	1	...	11
Tennessee	1852-.....	1852-.....	2	2	23	2	24	...	...	53
Mississippi	1850-1854 ¹	.....	...	2	21	7	47	3	57	137
Alabama	1868-1875	1872-1880 ¹	...	...	3	...	...	...	...	3
<i>West North Central</i>										
Nebraska	1869-.....	1869-..... ¹	.....	.....	.....	.....	5	...	...	5
Kansas	1865-1874 ^k	1865-1874 ^{k, 1}	.....	.....	.....	2	...	2	1	5
Minnesota	1876-.....	1876-..... ¹	.....	.....	.....	2	5	82	34	156
Iowa	1877-.....	1877-.....	.....	3	1	...	...	...	...	4
Missouri	1868-1872 ^m	1876-.....	.....	.....	.....	...	...	...	...	...
Missouri	1853-1875	1853-1875 ⁿ	9	5	75	20	2	...	...	111
<i>West South Central</i>										
Arkansas	1855-1874 ^o	.....	...	...	4	2	1	...	...	7
Texas	1873-1874	1873-1874	.....	...	10	2	5	4	...	21
Louisiana	1871-1874	1871-1874	.....	...	3	1	1	4	...	9
.....	1852-.....	1852-.....	...	...	...	...	...	...	...	...
<i>Mountain, Pacific</i>										
Nevada .....	.....	.....	.....	.....	.....	.....	7	1	1	9
Colorado .....	.....	.....	.....	.....	.....	.....	...	...	...	0
Oregon ^p .....	.....	.....	.....	.....	.....	...	...	...	...	0
California	1870-1872 ^q	.....^q	.....	.....	.....	2	2	...	...	4
<i>Total</i> .....	.....	.....	59	97	519	158	820	169	374	2196

TABLE I—(Continued)

STATE LAWS AUTHORIZING LOCAL AID TO RAILROADS, 1830-1889

Sources. The principal source consulted was the almost complete collection of the session laws of the several states in the Columbia Law Library. Some reference was made to law codes, but these usually omit special laws and skip periods when general laws may have been in effect or altered.

Regions follow the Census classification, omitting states which were not admitted before 1890. Continuous dots represent periods previous to statehood. Territorial laws were not examined.

Time Periods. There was, of course, very little railroad legislation before 1830, but limited research resources—not a lack of local aid legislation—stopped the work at 1889. Arrangement by decades was modified to preserve the identity of the Civil War period and the important railroad era between the close of the war and the panic of 1873.

General Laws are defined as those permitting any local government of the specified type to aid any railroad, with or without the condition that the railroad must go to, through, near, or must "benefit" the locality. These laws frequently designate the type or amount of aid also—see Table II.

Special Laws are those which permit one or more local governments to aid one or more railroads, naming either the railroad(s), or the local political unit(s), or both. Each law is counted only once no matter how many governments or railroads are included. They differ widely in scope, but no satisfactory weighting procedure could be devised.

The "special laws" include railroad charters, charters of municipal corporations, county tax authorizations, and laws with other titles which included provisions permitting aid to railroads and other internal improvements. A law increasing the amount of aid authorized is counted as a separate law, but laws extending the time within which aid may be given or otherwise changing the terms of aid—except where it is extended to more railroads or governments—are not counted, nor are exemptions from local taxes or grants or rights of way when there is no indication that the local government may purchase property for such grants. The complexity of some of the legislation and the wealth of local laws make it likely that this count is not complete.

In some cases, as in Indiana, passage of a general law put a stop to the adoption of special aid legislation. In the majority of states, special laws continued to be adopted while general laws were on the books, sometimes modifying their terms but sometimes appearing merely to repeat them.

It should also be noted that permissive legislation does not necessarily mean that aid was actually given. On the other hand, absence of legislation does not always indicate absence of local aid. This is most marked in the early period, before the courts generally prohibited local aid without state authorization, and during Reconstruction, but see also footnote (p) below.

^a Louisiana parishes are treated as counties. Laws authorizing municipal aid did not always apply to all types of municipality. Certain of the more conspicuous limitations are indicated in notes below, but for fuller information see Table II.

^b 1870-1874: towns with population under 12,000; 1874-....: towns or cities with population under 30,000.

^c Districts, cities, towns; villages added in 1881. ^d 1867: cities, towns; townships added in 1871.

^e Cities, townships, and villages if the township in which the village was located had not given aid. The Michigan courts decided that local aid violated a prohibition against state aid in the state constitution after 1870.

^f Most county aid was stopped in 1875. See Table II, note u.

^g The 1867 law refers to cities. Townships were added in 1869.

^h Ohio's constitution prohibited local aid in 1851. These laws permitted local governments to construct and operate, lease or sell railroads. They were framed as general laws, but usually specified such narrow population limits that they are indexed under the names of particular political units. A large number of them were declared unconstitutional, but not all, e.g., Cincinnati's authorization to build the Cincinnati Southern.

ⁱ The 1850 provision was a section referring to county aid in general at the end of a special law (Chapter 106, section 6, p. 191, March 6, 1850). Although a repealing act could not be found, it does not appear in the 1854 code. The 1872 law, amended in 1873, does not appear in the 1880 code. An 1882 law authorizing county, city and town aid is restricted to six counties, with three more counties added in 1888.

^j 1869: cities and precincts; 1879-1885: precincts, townships and towns smaller than cities of the second class; 1885-....: precincts, townships, villages.

^k From 1874 to 1876 local aid was prohibited except for counties and townships which had not issued bonds for this purpose.

^l Cities were covered from 1865 to 1874 and from 1876-. Towns and villages were included from 1868 to 1874; townships from 1872 to 1874 and after 1876. ^m Between 1858 and 1869, Iowa courts declared local aid unconstitutional.

ⁿ Cities were covered, 1853-1875; townships added in 1868, towns in 1872.

^o Counties which had internal improvement funds or credits only.

^p Although no authorizations could be found, there are several instances of local aid in Oregon (Portland, Yamhill County, etc.). A general law in 1913, like the Ohio law following constitutional prohibition, permitted cities and towns to acquire, build, own and operate railroads.

^q The 1870 law refers to counties and San Francisco (city and county). It continued in effect for eight counties from 1872 to 1874.

TABLE II
GENERAL LAWS AUTHORIZING LOCAL AID TO RAILROADS, 1830-1889

Region and State	Dates in Force *	Authorities Included	Forms of Aid ^b	Methods of Raising Aid ^c	Restrictions on Borrowing		Maximum Amount of Aid ^f	Voting Requirements ^g
					Maximum Interest ^d	Repayment ^e		
<i>New England</i>								
Maine ..	1867-.....	cities, towns	.....	tax, bonds	....	fund	5%	2/3 vote
N. H. ...	1864-1877 (1877)	cities, towns	.....	tax, bonds	....	fund	5%	2/3 vote
Vt.	1872-.....	cities, towns	.....	.....	7%	....	8% ^h	petition (10) and majority in number and value
Mass. ...	1870-1874	towns, population under 12,000	stock, bonds	.....	....	....	5%	2/3 vote
	1874-.....	towns, cities population under 30,000	stock, bonds	.....	....	.... 1876: tax	2%, 5% ⁱ 1876: 3% ^j	..... 2/3 vote
<i>Middle Atlantic</i>								
N. Y. ...	1869-1874 (1874)	municipal corporations ^l	stock, bonds	bonds ^m	7% ⁿ	tax, fund	20%	majority ^k in number and value
<i>South Atlantic</i>								
W. Va. ..	1863-1873	counties	stock	.....	....	....	1% ^o	2/3 vote
	1873-.....	counties, towns, districts, cities 1881: villages	stock	cash, bonds	.... ^p 1881: 6%	tax, fund	5% ^q	2/3 vote

Va.	1848-....	counties 1867: cities, towns 1871: town- ships	stock	tax, bonds	.... 1867: 10%	....	$\frac{1}{2}$ of railroad's stock 1871: $\frac{1}{2}$ of rail- road's stock; 0.2% ^o 1875: 17%, 15% ¹	$\frac{2}{3}$ vote ^a 1851: $\frac{2}{3}$ vote 1871: $\frac{1}{2}$ vote ^r
North Carolina	1869-....	counties	stock	.....	8%	....	..... 1889: 10% ¹	majority vote
Florida ..	1855-1875 (1875)	counties, cities, towns	stock	tax, bonds	10%	tax or fund	$\frac{1}{2}$ construction cost in county	majority vote
<i>East North Central</i>								
Wisc.	1872-....	counties, cities, towns, villages	stock 1875: bonds ^a 1876: guarantee ^a	tax, bonds	....^a	.... 1874: tax	10% ¹ (sum of county and municipal) 1874: 5% ¹ 1875: 5% ^o	majority vote 1873: or majority petition
Mich.	1869-1870 ¹	townships, cities, vil- lages where township has not aided	loans, gifts	bonds	10%	tax	10%, 5% (Detroit)	petition (30), ² majority vote
Ill.	1849-1870 (1870)	counties, cities	stock	bonds ^m	10% ^p	.... 1869: fund	\$100,000	majority of voters
Ind.	1867-.... 1869-....	cities counties, ⁿ townships	stock, gifts stock, gifts	tax, bonds tax	.... ....	tax, fund .... ....	..... 2% 1881: 2% ¹	petition (majority ^r) petition (100, county; 25, township) and majority vote

TABLE II—(Continued)
GENERAL LAWS AUTHORIZING LOCAL AID TO RAILROADS, 1830-1889

Region and State	Dates in Force ^a	Authorities Included	Forms of Aid ^b	Methods of Raising Aid ^c	Restrictions on Borrowing		Maximum Amount of Aid ^f	Voting Requirements ^e
					Maximum Interest ^d	Repayment ^g		
<i>East South Central</i>								
Tenn. . . .	1852-	counties, cities, towns	stock	tax 1887: bonds	1887: 6%	1887: tax	1858: 1/15, \$1,000,000 ^h 1871: 10%	majority vote 1854: majority of voters 1870: 2/3 vote ^h
Miss. . . .	1850-1854 ^h 1872-1880 ^h (1890)	counties counties, cities, towns	stock stock	tax bonds	7%	tax	.....	2/3 vote 2/3 vote
Ala.	1868-1875 (1875)	counties, cities, towns	stock	bonds	....	tax	1% (counties), 2% (cities, towns) ^h	majority vote
<i>West North Central</i>								
Neb.	1869-	counties, cities, precincts 1879: townships 1879-1885: towns, populations under 500 1885: villages	..... 1875: gifts	bonds	....	tax ^h 1879: tax, fund	10%	majority vote 1875: 2/3 vote 1879: petition (10) ^h and 2/3 vote 1885: petition (50) ^h and 2/3 vote

Kans. ...	1865-1874	counties, cities 1868-1872: towns, villages	stock 1868-1872: stock, loans	bonds 1868-1872: tax, bonds	7% 1869 *	tax, fund	\$300,000 per county per railroad; \$250,000 per city per railroad 1865: above, up to \$1,200,000 (counties), \$600,000 (cities)	majority vote 1866: and petition ($\frac{1}{2}$)
	1870-1872	townships	stock	bonds	.... 1872-1874: 10%	tax, fund	1% * 1872-1874: 10% plus *	petition (50) and $\frac{2}{3}$ vote 1872-1874: petition ($\frac{1}{2}$) and majority vote
	1874-1876	counties and town- ships with no previous aid bonds	stock, gifts	bonds	7%	tax, fund	5%	petition ($\frac{2}{3}$) and $\frac{2}{3}$ vote
	1876-....	counties, townships, cities	stock, bonds, loans **	tax, bonds **	10% **	tax, fund	..... **	petition ($\frac{2}{3}$) and $\frac{2}{3}$ vote 1877: majority vote
	1886-....	cities	gifts **	bonds	6%	tax, fund	\$30,000, ** \$20,000 **	petition ($\frac{2}{3}$) and majority vote
Minn. ...	1877-....	counties, towns, cities, villages	stock, gifts 1879: bonds	bonds, tax	.... "	tax	10% ¹ 1878: 5%	majority vote (and majority of election precincts for counties) 1877-1879: or petition (majority ¹)
Iowa	1858-.... ^{aa} 1868-1872	counties townships, cities, towns	gifts gifts	lands ^{aa} tax	.... ....	.... ....	.....^{aa} 5%	majority vote petition ($\frac{1}{2}$) ^{aa} and majority vote

TABLE II—(Continued)
GENERAL LAWS AUTHORIZING LOCAL AID TO RAILROADS, 1830-1889

Region and State	Dates in Force ^a	Authorities Included	Forms of Aid ^b	Methods of Raising Aid ^c	Restrictions on Borrowing		Maximum Amount of Aid ^f	Voting Requirements ^e
					Maximum Interest ^d	Repayment ^g		
<i>West North Central (cont.)</i>								
Iowa (cont.)	1876-	townships, cities, towns	gifts	tax	....	....	5%	petition (majority) ^h and $\frac{2}{3}$ vote 1878: majority vote
	1882-	towns, cities	gifts ^{oo}	.....	....	....	.....	petition (majority) and $\frac{2}{3}$ vote
Mo.	1853-1875 (1875)	counties, cities	stock	bonds, tax, invest county funds	....	....	.....	.....
	1868-1875	townships 1872-1875: towns	stock	tax, bonds	10%	tax	..... 1872: 10% ⁱ	1860: majority vote ^{oo} 1861: majority vote 1865: $\frac{2}{3}$ vote 1868-1875: petition (25) and $\frac{2}{3}$ vote
	1870-1875	cities, towns	gifts ^{oo}	tax, bonds	....	....	.....	majority vote 1872: $\frac{2}{3}$ vote
<i>West South Central</i>								
Arkansas	1855-1874 (1874)	counties ^{oo}	stock	.....	....	....	.....	.....
	1873-1874	counties, cities, towns	stock, gifts	bonds	10%	tax, fund	10% ^j	petition (100) and majority vote

Texas ...	1866-1870 ^{aa} (1876)	counties, cities, towns	stock, loans	tax	....	....	.....	petition (county: 100; ^a city, town: 25 ^a) and $\frac{2}{3}$ vote
	1871-1874 ^{ba}	counties, cities, towns	stock, loans, gifts	tax, bonds	10%	tax, fund	20%; 10% per railroad; 2% per year ^c	petition (50) ^a and $\frac{2}{3}$ vote
Louisiana	1852-1880	parishes, municipal corporations	stock	tax	....	....	.....	majority vote
	1880-.....	parishes, cities, towns	.....	tax	....	....	25% ^c	petition ($\frac{1}{2}$) and majority in number and value
<i>Mountain, Pacific</i>								
California	1870-1872 ¹¹	counties, San Francisco	.....	bonds	7%	tax	5%	majority vote

^a Open-ended dates mean law continued in effect after 1889. Dates in parentheses represent years when constitutional prohibitions against local aid went into effect. Dates in other columns indicate when the relevant provisions were changed or new provisions added.

^b *Stock*: subscriptions to capital stock of railroads. *Gifts*: outright donations of money, land, etc. *Bonds*: local governments may buy railroad bonds. *Guarantee*: local governments may guarantee repayment of interest and/or principal of railroad bonds. *Loans*: may mean purchase of railroad bonds, endorsement or guarantee, or loan of local government bonds, with or without collateral. Occasionally the legal term is ambiguously "loan of credit".

^c *Tax*: money or goods or services to aid railroads to be raised by taxation. *Bonds*: aid to be raised by issue of local government bonds. These may be sold, and the proceeds turned over to the railroads (as gifts, subscriptions, etc.), or may be exchanged for railroad securities directly.

^d Percentages represent maximum interest charges on local government bonds.

TABLE II—(Continued)

GENERAL LAWS AUTHORIZING LOCAL AID TO RAILROADS, 1830-1889

* *Tax*: must levy annual tax to repay interest and principal as due. *Fund*: must set up sinking fund for repaying principal before it comes due.

¹ Percentages refer to taxable property, amounts to absolute limits. Unless otherwise indicated, these are maximum amounts of aid to railroads for the individual local government. These limits are taken largely from constitutional and railroad-aid provisions. Other legislation affecting local debt creation or tax limits was not examined.

² Numbers in parentheses after petitions refer to minimum number of signers. Unless specified, fraction of vote refers to number of votes cast. *Petition and vote* usually indicates petition is required before vote can be called. *Petition or vote* indicates alternative procedures for ratifying aid. *Majority in value* refers to value of taxable property.

³ The maximum is referred to as "eight times the grand list", which includes poll taxes plus one per cent of taxable property.

⁴ 2% for towns valued over \$3,000,000; 5% for towns valued at \$3,000,000 or less.

⁵ Aggregate debt limit. Virginia in 1875 had a debt limit of 17% of real plus 15% of personal property.

⁶ Of taxpayers. This is occasionally "resident" taxpayers. In New York it includes companies and corporations explicitly.

⁷ These include cities, towns and incorporated villages. There were certain exceptions to the original law which were altered several times during the 1870's.

⁸ Local bonds may be sold or exchanged for railroad securities. ⁹ Exchange for securities must be at par.

¹⁰ Tax limit. For Iowa: 1% a year for two years; for Louisiana: 2½% a year for ten years.

¹¹ Bonds must be disposed of at par. ¹² Of freeholders. This is occasionally "resident" freeholders.

¹³ This ¾ vote is to include a majority of the registered voters and a majority of freeholders.

¹⁴ First mortgage bonds of railroads. ¹⁵ Court decisions in Michigan declared local aid unconstitutional in 1870.

¹⁶ County aid was stopped in 1875 except where votes had already been taken or where a railroad was started with aid from some counties on its line. In the latter case, other counties on the line could vote aid if they had not already rejected it. An 1879 law permitted county commissioners to pay the railroad aid debts of local residents under certain restrictions.

* Aggregate aid may be 1/15 of taxable property but not over \$1,000,000.

* Twenty-six counties retained a majority vote until 1880. * Not in law code of this year. See note j, Table I.

* No taxes for principal of new issues until after 1880.

* Aggregate debt limits: 10% of taxable property plus: \$100,000 for counties valued up to \$3,000,000; \$300,000 for other counties. Townships valued under \$200,000: 10% plus \$600 per mile of railroad in the township.

** Two general laws offered alternative methods of aid. Loans could be made to railroads requiring collateral of first mortgage bonds, equal to 80% of the loan. Railroad first mortgage 7% bonds could be exchanged for local government 10% bonds at not less than 90% of par, with not over \$8,000 per mile of first mortgage bonds to be issued by the railroad. The maximum amounts of aid, for stock subscriptions or "loans of credit", are: \$4,000 per mile of railroad in the local unit, with \$100,000 plus 5% for counties and \$15,000 plus 5% for townships. For buying railroad bonds (or exchanging government bonds for them) counties and townships were limited to \$4,000 per mile and cities to \$15,000 plus 5%. In 1877 there was a reduction to \$2,000 per mile.

** \$30,000 per railroad for cities of the first class; \$20,000 per railroad for cities of the second class.

** For railroad rights of way, depot grounds, machine shops and/or other terminal and repair facilities.

** Counties with swamp lands may donate these or proceeds of their sale to railroads. However Iowa courts held local aid unconstitutional from 1858 to 1869.

** The 1853 law permitted votes to be held, and in 1860 these were required, but in both cases only "for the information" of the county courts and city councils. In 1861 the recommendation of the vote had to be obeyed.

** Counties with internal improvement funds or credits.

** Aid to any company or corporation: not repealed, but not among 1870 powers.

** Repealed in 1874 except for 12 counties; these exceptions were increased and altered several times until constitutional prohibition in 1876.

** See note q, Table I.

must raise its contribution solely by current taxation. The great majority of laws expressly permitted either taxation or borrowing or made no restriction. Bonding was the common recourse, and much of the effort of the legislators was devoted to the attempt to surround the process with certain safeguards. Maximum rates of interest were laid down, and in a number of cases these were buttressed by provisions requiring that the bonds must not be sold to investors or accepted by the railroads at less than par. Several laws specified that the aid should be given by means of "the exchange of securities" between government and railroad, and quite commonly it was the bonds themselves rather than the proceeds from their sale that were handed over to the roads. Other clauses attempted to ensure orderly provision for repayment, either by the establishment of sinking funds or by the requirement that the debt service be met entirely from current taxation. "In the interest of good government and of economic administration," as a North Carolina statute put it,⁵ the amount of aid that might be given was generally limited, sometimes to a specified sum, more often to a percentage of the assessed valuation, and in still other cases by reference to a debt limit provided in the act itself or by constitutional provision.

Other intended safeguards relied on the methods of initiative and referendum. Though a proposal for aid could often be initiated by the municipal or county authorities, and in some cases by the railroad company itself, the laws frequently required a petition signed by a specified number or proportion of voters or property-holders. The greater number of laws, moreover, provided that the proposal be submitted to an election and required the affirmative vote of a specified majority of voters or property-holders or both and sometimes of a majority "both in number and value."

Other provisions too varied to tabulate were inserted in the legislation to make sure that the communities would really get railroads built in return for the sacrifices they were binding themselves to make. A Nebraska statute opened with the following declaration of purpose: "To prevent railroad corpora-

⁵ N. C., 1889, ch. 486, p. 459.

tions to impose upon the people by bogus surveys".⁶ To this end the laws often specified that the contribution should not be paid over until the corporation had raised a certain proportion of its capital from other sources, or until it had spent a certain amount of money within the contributing county or township, or until the roadbed was prepared or the track was laid or trains were running to a specified point. Other clauses protected the right of local authorities to vote their stock and in some cases to have assured representation on the boards of directors.

On these and on many other points the special laws could be and often were more specific. Recitations of "public use and benefit" were common to the preambles of both general and special laws, but the latter sometimes put the motives for aid in particularly concrete form. Cumberland, for example, would have more jobs if the B. & O. were helped to make its proposed improvements. A Minnesota enterprise needed a "bonus" as a stimulus to "speedy resumption of work."⁷ The preamble to a North Carolina law in Reconstruction days recited the difficulty of obtaining subscriptions in money and authorized local governments to pay in kind. Another permitted the individual taxpayer to pay the equivalent of his railroad tax directly to the company "in kind, that is to say, in agricultural products."⁸

In some cases the special laws permitted still greater variations in substance. Local governments were occasionally given the power to build railroads and not merely to aid them. Cincinnati set an example in Ohio by building the Cincinnati Southern as a city enterprise when the state constitution forbade municipalities to extend *aid* to railroad corporations.⁹ In other cases the authorization was merely to construct a branch line to an existing railroad. A Maryland law provided an interesting variant on the requirement for consultation. Under it the authorities of Baltimore might propose to the electors

⁶ Neb., 1879, p. 151.

⁷ Md., 1890, ch. 229, p. 254; Minn., 1868, ch. 20, p. 38.

⁸ N. C., 1866-67, ch. 89, p. 132; 1872-73, ch. 174, p. 290.

⁹ Footnote (h) to Table I and Goodrich, "Revulsion", p. 151.

that the city buy a controlling interest in the Richmond and Danville, provided the measure first received the approval of the board of trade, the corn and flour exchange, and the merchants and manufacturers association!¹⁰

The special laws frequently spelled out in particular detail just what the railroad must do in order to qualify for receipt of the subscription or loan or donation. In some cases, especially for the larger cities, they contained specific provisions for the naming of government directors. A common preoccupation—in special and general laws alike—is illustrated by the Illinois statute which provided that the governments extending aid to a railroad should collectively name one fourth of the board of directors *until the railroad was completed*.¹¹

In sharp contrast to these measures for supervision of the government investments stood a set of provisions for the distribution of publicly subscribed stock among private individuals. These were based on the belief that it was "inexpedient that the administration of the stock thus subscribed should remain under the control of the local authorities . . . that it ought to be distributed among those whose property had been taxed for its payment," and that each taxpayer would thus be "stimulated by personal interest to a vigilant supervision of the conduct of the work."¹²

In accordance with these ideas, general laws in Alabama, Florida, Indiana, Iowa, Louisiana, Missouri and Tennessee, and certain special laws in these and ten other states of the South or West, provided that the individual who had paid a railroad tax should be entitled to a corresponding amount of the stock of the railroad company.¹³ In Tennessee he might use his tax

¹⁰ Md., 1884, ch. 298, p. 409.

¹¹ Ill., 1868, p. 320, sec. 8.

¹² The quotations are from resolutions adopted by the Southwestern Railroad Convention held at New Orleans in 1852. J. D. B. DeBow, *Industrial Resources, etc. of the Southern and Western States* (New Orleans, 1852-53), vol. II, pp. 458-459. The opinion in *Police Jury v. McDonogh* refers to the influence exerted by these resolutions (8 La. An. 360).

¹³ Ala., 1868, ch. 172, p. 514; Fla., 1854-5, ch. 610, p. 17; Ind., 1872, ch. 35, p. 54; Iowa, 1876, ch. 123, p. 110; La., 1852, act #175, p. 128; Mo., 1868, sec. 4, p. 93; Tenn., 1851-2, ch. 117, p. 161. The Iowa law was amended to permit distribution of railroad bonds as well as stock to taxpayers (1878, ch. 173, p. 162).

receipt to pay his freight bill instead or to buy a railroad ticket.¹⁴ The individual who had made a voluntary subscription could frequently claim corresponding exemption from the railroad tax, and conversely payment of the tax would occasionally serve to relieve him of a previous agreement to make a private subscription.

Thus under stock distribution the lines between private purchase and government action were often blurred, and provisions advocated on the ground that they would promote the vigilance of individuals were brought into the local aid legislation alongside the many clauses intended to ensure vigilance on the part of the public authorities.

Local Aid in Practice

Two thousand laws are not automatically translated into so many miles of railroad or even into so many hundred thousand dollars of investment or subsidy. The legislative record shows how widely and for how long a period the policy of local government participation in railroad building approved itself to American legislators. It does not show which projects were carried out and which abandoned or the spirit in which they were conducted. On all this our present knowledge, though notably increased by recent studies, is far from complete. It would be difficult to arrive at a numerical total of the amount of aid, since payments were made in kind as well as in cash and still more frequently in municipal and county bonds, which often sold at a discount, and since the public authorities might or might not be called upon to make good on their endorsements of railroad securities. The order of magnitude may be suggested by reference to four localized studies—for Missouri, for New York, for the ante bellum South, and for Pennsylvania, Maryland and Ohio also before 1861—which together

The ten other states which authorized stock distribution in one or more special laws are: Arkansas, Georgia, Kentucky, Mississippi, North Carolina, Ohio, South Carolina, Texas, Virginia and Wisconsin. For a list of cases involving stock distribution, see Edward L. Pierce, *A Treatise on the Law of Railroads* (Boston, 1881), p. 95.

¹⁴ In *Mobile and Ohio Railroad Co. v. Wisdom*, 52 Tenn. 125, the court required the railroad company to honor some \$24 of these receipts in payment for transportation.

report local aid to the amount of about one hundred and fifty million dollars. Full quantitative analysis will not be possible until other states and periods have been studied with similar care.¹⁵

The peak of this local activity was reached in the years between the close of the Civil War and the panic of 1873. The movement is vividly reflected in the pages of the *American Railroad Journal*, which contain a wealth of references to local aid—past, present and proposed. Taking account only of cases of affirmative action currently reported, the *Journal* in the seven years from 1866 to 1872, inclusive, cites decisions by local government authorities in 27 states to give aid to no less than 138 railroad undertakings. The governments extending this assistance include—in addition to a number not specified by name—122 municipalities and 70 counties. The cases come from widely scattered parts of the country, and differ greatly in amount. Buchanan County, Missouri, votes \$4,000 in bonds for the St. Louis and Denver, and Benton Township \$7,800 for the Peninsular Railroad of Michigan. The town of Colchester, Connecticut, plans to spend about \$30,000 for the branch it is

¹⁵In round numbers the figures are as follows: Missouri, \$26,000,000; New York, \$37,000,000; ante bellum South (not including Missouri and Maryland), \$55,000,000; for 1834-1861, Pennsylvania, \$16,500,000, Maryland, \$11,000,000, Ohio, \$8,000,000. Edwin L. Lopata, *Local Aid to Railroads in Missouri* (New York, 1937); Harry H. Pierce, "Local Aid to Railroads in New York", unpublished doctoral dissertation, Cornell University, 1949; Milton S. Heath, "Public Railroad Construction and the Development of Private Enterprise in the South Before 1861", *Journal of Economic History*, Supplement X (1950), pp. 40-53; Harvey H. Segal, in a study being carried on under a resident fellowship at Columbia University awarded by the Committee on Research in Economic History.

The total aid found in these studies is very much greater than would be suggested by Federal Coordinator of Transportation, *Public Aids to Transportation*, vol. II (Washington, 1938), pp. 1-3, 53-71, 118-163, 133. The four localized studies total some \$154,000,000. The Coordinator's figures for the entire country and the entire period reach a total of a little over \$110,000,000 definitely attributed to local governments plus an indeterminate share of some \$31,000,000 of unspecified public subscriptions and an indeterminate share of some \$37,000,000 of public and private contributions in aid of railroad construction. Neither set of figures includes local land grants or tax exemptions. The discrepancy between the two is to be explained partly by the fact that the Coordinator excluded aid given to railroads which became defunct but mainly by the fact that the full amount of local aid cannot be read from the Valuation Reports and similar documents of existing railroads, on which the official report is principally based. For explanation of its methods, see vol. II, p. 56, fn. 75.

building to connect with "the air line railroad."¹⁶ But not all the figures are so insignificant. The New York, Oswego and Midland receives admiring notices in the press, almost to the eve of its failure in 1873, for its achievement in raising nearly six million dollars in municipal bonds from the communities along its line in upstate New York.¹⁷

At one extreme stand the railroad investments of the city of Baltimore. Early in 1870 the municipal accounts show outstanding loans to railroads of more than eight million dollars and the ownership of nearly three and three-quarter millions of railroad stock, in addition to endorsements of railroad obligations of nearly two millions and almost a million dollars in tax and other claims against the aided roads. But even these large figures—totaling nearly fifteen million dollars in actual investment or contingent liability—are taken only in mid-career of the city's program of railroad promotion. In the preceding year the authorities had commissioned an engineer and an accountant to examine the prospects of the Western Maryland and had sent out an agent to explore the merits of a proposal for a railroad on the Eastern Shore. In the year 1870 itself, the city made two substantial additional commitments—endorsing two millions of the securities of the Western Maryland and subscribing another million to the stock of the Valley Railroad of Virginia—before the voters finally rejected the further proposal of the city councils to guarantee \$750,000 of the securities of the Lynchburg and Danville.¹⁸

Municipal plans of this scope and magnitude were, however, the exception rather than the rule; and most of the decisions to grant aid were made by communities with smaller resources or more limited aims. In this respect the record of aid in Indiana—in which no city made an investment comparable to that of Baltimore, but in which aid was voted to railroads by a large number of communities of various sizes—is somewhat more representative of the movement as a whole.

¹⁶ 41 ARJ (1868), 152; 45 ARJ (1872), 454.

¹⁷ 42 ARJ (1869), 901; *ibid.*, 1317 (*New York Tribune*); 46 ARJ (1873), 1090 (*Albany Evening Journal*); *Indianapolis Sentinel*, Nov. 16, 1872.

¹⁸ 43 ARJ (1870), 233; 42 ARJ (1869), 596, 989; 43 ARJ (1870), 279, 371, 399, 645, 1209.

Indianapolis, to be sure, called itself "the railroad city" and was proud of the twelve railroads which had reached it by 1870. Its position as the hub of radiating lines, which had been contemplated in the early state plans for internal improvements,¹⁹ owed something to local government aid. By 1872 the city itself had donated \$60,000 "of the people's money" to the Junction Railroad, its township (Center) was taxed \$65,000 for the Indiana and Illinois Central, and its county (Marion) had paid \$120,000 to aid three railroads connecting the city with the coal fields of western Indiana.²⁰ Four years later Indianapolis issued \$500,000 in bonds to build its municipal Belt Railroad, and propositions for further railroad aid continued to find support in its newspapers for the remainder of the century.²¹

But the railroad movement in Indiana was not primarily a metropolitan one. Scores of subsidies, loans and subscriptions were voted by cities, towns, townships and rural counties over a period of at least seventy-five years.²² The amounts in question were often small and in a number of cases under ten thousand dollars. Though an accurate total could not be ascertained without a study of the financial records of the local governments themselves, an incomplete check based on local histories and other scattered sources shows approval at the polls of some eight million dollars in local aid.²³

As in other states, the movement for local aid showed varia-

¹⁹ W. R. Holloway, *Indianapolis* (Indianapolis, 1870), is subtitled *A Historical and Statistical Sketch of the Railroad City*.

²⁰ Resolution of city council quoted in *Indianapolis Sentinel*, Dec. 31, 1872. The council recommended rejection of a current proposal to give \$500,000 to another "coal road", and it was defeated at the polls on Jan. 9, 1873. *Sentinel*, Jan. 10, 1873.

²¹ Jacob P. Dunn, *Greater Indianapolis* (Chicago, 1910), vol. I, ch. 23. *Indianapolis Sentinel and Journal*, 1875, 1877, 1881, etc., *passim*.

²² For an 1837-38 case see *History of Northeast Indiana*, under the editorial supervision of Ira Ford, Orville Stevens, William H. McEwen and William H. McIntosh (Chicago and New York, 1920), vol. I, p. 37. For 1911 payments see *Second Annual Report of the Department of Inspection and Supervision of Public Offices of Indiana* (Indianapolis, 1913), p. 537.

²³ Sources included local histories, newspapers and Interstate Commerce Commission reports. The total of \$8,000,000 includes only cases of local aid in which the vote was reported as favorable and in which the amount was stated in dollars.

tions from period to period which were related both to business conditions and to changes in legislation. Before the Civil War local aid required authorization by railroad charter or special acts of the legislature, and some sixteen counties and ten cities took advantage of such authorizations. The most important era, however, followed the close of the War and was based on general legislation providing both for stock subscriptions and for donations. The law for city aid was adopted in 1867 and that for counties and townships in 1869. The latter was described by the Indianapolis *Sentinel* as "probably the most important act passed at the recent session of the Legislature." Within four months of its adoption, the Frankfort *Crescent* reported that twenty-five elections had been held under its provisions and that aid had been refused "in one single instance only."²⁴ Between 1865 and 1875 affirmative action was ordered in thirty-six township, twenty-eight county and twenty-five city votes.

The crisis of 1873 checked the movement for railroad aid. Many railroad schemes had to be abandoned, and in some cases money had to be refunded to the taxpayers.²⁵ LaGrange County, which had failed in its early efforts to encourage railroads and had finally in 1870 welcomed the arrival of the Grand Rapids and Indiana with "the roars of cannon", voted down an appropriation of \$98,000 for the New York and Chicago Air Line in 1873. "A panic come on in the United States at that time," explained the local historian, "and the matter there ended forever."²⁶

Despite the depression, the sections of the state which still wanted railroad connections were strong enough to prevent the repeal of the aid laws, though they were made somewhat less liberal.²⁷ Between 1876 and 1886, aid was voted by forty-three townships and two cities. A change in the law at the end of the seventies casts light on the nature of the interests of the

²⁴ Indianapolis *Sentinel*, May 21, 1869; Aug. 30, 1869 (quoting Frankfort *Crescent*).

²⁵ For example, in Brazil and Washington townships, Clay County, in 1874. The North and South Railroad "was graded as far as Brazil; then abandoned." Charles Blanchard (ed.), *Counties of Clay and Owen, Indiana* (Chicago, 1884), p. 53.

²⁶ Ford, *et al.*, *op. cit.*, p. 37.

²⁷ In 1875 and 1881. See Table II, note u.

communities. A court had held in 1877 that, since the word "donation" meant free gift, a local government could not impose terms on the railroad as a condition of its donation. In 1879, an amendment to the law provided expressly that a subscription or donation could be accompanied by a contract with the company making aid conditional on such terms "as to freight, rates, location of machine shops, depots" as might be specified in the election petition.²⁸ Fort Wayne had bargained for and received railroad shops before passage of this amendment, and by a contract under its provisions Frankfort secured the machine shops of the Clover Leaf in 1881.²⁹

Between 1889 and 1891, and again at the end of the nineties, votes favorable to railroad aid were still being reported, though much less frequently than in the earlier years. The aid laws remained on the books and continued to be used from time to time until well into the twentieth century.³⁰

The Interests of the Railroads

Analysis of the process of local aid may be approached by an examination of its significance to the two parties directly concerned—the railroads and the communities. To the railroad system as a whole, local governments were furnishing only a small fraction of a total capital which by 1880 exceeded five billion dollars in permanent investments.³¹ By the end of the

²⁸ *Indiana North and South Rail Way Company v. The City of Attica*, 56 Indiana 476. Ind., 1879, ch. 27, p. 46.

²⁹ T. B. Halm, *History of Allen County, Indiana* (Chicago, 1880), p. 120. The *Indianapolis Sentinel*, Feb. 11, 1881, announces the terms of the Frankfort (Center Township, Clinton County) vote. Interstate Commerce Commission, *Valuation Docket 83*, records the donation.

³⁰ The city of Peru, which voted aid to the Chesapeake and Ohio in 1901, managed in the following year to evade its debt limit in order to secure location of the road's machine shops and roundhouses. It did this by an elaborate operation involving the creation of a Park Association as an intermediary. Arthur L. Bodurtha (ed.), *History of Miami County, Indiana* (Chicago, 1914), vol. I, pp. 258-263.

The laws were extended to interurban and street railways in 1903. Ch. 134, p. 233. In 1927 their application was limited to cases in which "a railroad has been abandoned and a new company has been organized to operate such railroad." Ch. 21, p. 55.

³¹ *Eleventh Census*, 1890, "Report on the Transportation Business", Part I (Washington, 1895), p. 13, Henry Carter Adams, Special Agent.

sixties, some railroad presidents were already boasting, though still with something of an air of surprise, that their lines were being financed without government aid of any kind.³² The annual reports of certain old established roads had begun to criticize the "habit" of easy local aid and to show concern over competition from subsidized companies, and there were cases in which "the railroad interests" were accused of working to defeat proposals for aid to new companies.³³

The degree of reliance on local government aid thus varied with the state of railroad development. After the Civil War, local aid did not play for the greater and more prosperous companies the decisive rôle that a combination of state and local aid had often played in the earlier period or that federal aid was currently playing in the case of the Pacific railroads. The Baltimore and Ohio was alone among the great trunk lines in continuing to come to the authorities of its parent city for much of the capital for the extension of its system. The Western Maryland was also largely a municipal investment of Baltimore. Elsewhere in the older and richer states, the companies which relied most heavily on local aid were likely to be those that were badly located or that traversed the poorer sections, like the Midland of New York or the Central Massachusetts. More lordly companies, however, were glad to accept spurs and branch lines turned over to them by contributing communities. In the South and in northern New England, local aid was a common and important recourse. It was still a major factor in filling in the railroad map of the Middle West. The *American Railroad Journal* reported that the largest increase in mileage during 1870 had been in Illinois, Iowa, Missouri and Kansas where it had been "stimulated to the utmost by town and county subscriptions."³⁴

³² 42 ARJ (1869) 1044; 43 ARJ (1870) 538. See also 39 ARJ (1866) 462; 40 ARJ (1867) 242.

³³ Michigan Central, 43 ARJ (1870) 818; Chicago, Burlington and Quincy, 43 ARJ (1870) 986-987; *Indianapolis Journal*, Sept. 15, 1869; *Indianapolis Sentinel*, Aug. 27, 1869.

³⁴ 42 ARJ (1869) 1154; 43 ARJ (1870) 289, 477; 45 ARJ (1872) 454; 44 ARJ (1871) 3.

In short, the capital supplied by local governments was indispensable to the promoters of a number of companies and most welcome to many others. Sometimes this consideration affected the form of organization. The lines between Port Huron and Chicago, for example, were first set up as four different companies. "It was believed that *municipal aid* could in this manner be more readily obtained from the cities and counties along the route, as all experience in this direction goes to show that such communities are far more interested in and more ready to assist small and purely local enterprises directed and urged on by the principal men of the section." After enough local capital had been secured "to place the roads in readiness for the superstructure, it was intended to consolidate the four roads into one."³⁵

Railroad officials were often complimented on their success in convincing legislatures and in arousing enthusiasm in public meetings along the projected lines. The *Corning Journal* praised the Hon. J. Ramsay, President of the Albany and Susquehanna, for "indefatigable exertions" made on behalf of the railroad before, during and after his term as a state senator. President Littlejohn of the New York, Oswego and Midland, whose name was described as "itself a tower of strength in the Midland counties," won support for his road in a series of notable public meetings.³⁶

In the course of such campaigns, the railroads and their agents—and such middlemen as "speculating contractors"³⁷—were often accused of sharp practice. In one Iowa case, for example, it was established that all fourteen of the voters who had taken part in an election in Lost Island township had accepted offers from a railroad agent of a substantial fraction of the aid they were voting! Other accusations were of improper

³⁵ 42 ARJ (1869) 1265.

³⁶ 40 ARJ (1867) 223; 39 ARJ (1866) 462, 541; 43 ARJ (1870) 37. See Harry H. Pierce, *op. cit.*, for picturesque detail.

³⁷ These were particularly condemned both by President Joy of the Burlington and by Joy's critic, Charles F. Adams, Jr., for fleecing local communities by building unprofitable roads. 43 ARJ (1870) 987; *Nation*, vol. 20 (March 4, 1875), pp. 148-149. Adams' letter to the editor, which is signed "Good Intentions", gives details on the fraudulent operations of one set of contractors.

influence in the legislatures and of fraud in influencing local elections, either by bringing in fraudulent voters "by the car-load" or by making false promises to the electorate.³⁸

The Interests of the Communities

There is no question of the enthusiasm with which great numbers of communities welcomed—and indeed often initiated—proposals for railroad aid. The majority of elections had affirmative results, and the press was characteristically favorable. "The Portland papers urged the matter with all zeal." So did those of many other cities from Maine west across the country. "The workingmen and enterprising businessmen" of an Indiana community were reported as jubilant after a favorable vote. Advocates of railroad aid were credited with displaying a "proper spirit of enterprise."³⁹ On the other hand, those opposing railroad aid were likely to be described as barnacles or as suffering from "moral marasmus"; and one paper sadly declared that an adverse vote had been cast by "Indianapolis in their blindness."⁴⁰ It was only a minority of papers that attempted, like the *Labor Advocate* of Columbus, to remind the citizens that it was "the peculiar and rightful vocation of capital to develop the country" and that if capital sought to tax the people to support a railroad it was "sure evidence that there [was] a doubt as to its being a remunerative enterprise." Much more common was the view of the *Anderson (Ind.) Courier* that "no city, county or township were ever injured by having too many railroads."⁴¹

³⁸ *Chicago, Milwaukee and St. Paul Railway Co. v. Sbee, County Treasurer, et al.*, 67 Iowa (1885) 728; 45 ARJ (1872) 293 (quoting a Maine correspondent of the *Boston Journal*); *Brevier Legislative Reports*, vol. 19 (regular session, 1881), p. 113. See also A. M. Hillhouse, *Municipal Bonds: A Century of Experience* (New York, 1936), p. 149 and the footnote on p. 152 containing a list of communities which bonded themselves for railroads which were never in fact built to or through them.

³⁹ 40 ARJ (1867) 431; *Indianapolis Sentinel*, July 30, 1869; *ibid.*, quoting *Evansville Courier*, June 24, 1869.

⁴⁰ *Indianapolis Sentinel*, May 19, 1869; *Indianapolis Journal*, Sept. 11, 1869; *Indianapolis Sentinel*, Jan. 10, 1875.

⁴¹ Quoted in *Indianapolis Sentinel*, Sept. 7 and Aug. 14, 1869.

The grounds of the appeal and the degree of initiative varied with the circumstances of the community. In some cases the plea was still to the imperial designs of the great merchant city. Cincinnati's railroad enterprises, declared its Board of Trade, would pay large dividends "in those results most desirable in a commercial city—increase of trade and cheapening of transportation."⁴² It was in this spirit that Baltimore and so many other seaboard cities had used municipal resources in their struggle for the trade of the interior, and President Garrett makes a further appeal to Baltimore on the same grounds in the annual report of the Baltimore and Ohio in 1869. He proposes that the city invest a million dollars in the Valley Railroad and a half million in the Lynchburg and Danville. These two Virginia roads will be extensions of the B. & O. system. "As a mere railroad matter," however, Garrett says that his company has relatively little to gain. It is the city that will reap the great advantage. "In each and every year" it will win back at least as much as its whole investment "in advantage and net profits on the business that will be thus commanded."⁴³

Towns that could not dream of such commercial supremacy entered into vigorous competition for positions as terminal or junction points or for the location of the railroad's shops. "If . . . we can secure here her round houses and repair shops," said the *Cairo Bulletin*, "intervals of business prostration, like the present, will be unknown among us." Communities served by a single railroad sometimes acted on the belief that giving aid to a second was the right way to deal with monopoly and bring down rates. But the commonest motive for local aid was simply to make sure of getting *some* railroad to pass through the locality. For many a crossroads community, it was literally a matter of survival. If the railroad passed the other way, "business men removed from the place and took their wares to the new city." But if it came, a "hitherto quiet and plodding village" was likely to become "full of the bustle of business and

⁴² 46 ARJ (1873) 639.

⁴³ 42 ARJ (1869) 457. See also 43 ARJ (1870) 553; 45 ARJ (1872) 518.

enterprise."⁴⁴ It is not strange, therefore, that local leaders were ready either to take the initiative in forming railroad companies or to listen to the proposals of railroad promoters or contractors.

The Process of Bargaining

The great compelling motive was to get railroad service for the community. To accomplish this, local leaders were willing to offer inducements to outside capitalists or to the railroad company. If a subsidy proved more appealing than a stock subscription—"does the company have to give stock . . . or is it a square donation?"⁴⁵—it was not hard for the community to concede the point. Whether or not they received securities in exchange for their contributions often seemed a matter of indifference to the local governments. Perhaps they had learned from their own earlier experience, or that of others, that they were in most cases unlikely to receive very much direct financial return from their investments. The possibility of exercising control over the company through stock ownership seems hardly to have been a major consideration except in a few cases where the community was very large or the company unusually small.

The Hartford (Conn.) *Evening Post* proclaimed in 1869 the merits of what it called "a new mode of investing capital in the West":

First, a company is organized . . . for the purpose of constructing a railroad. Then the cities, towns, counties and inhabitants . . . whose interests will be greatly promoted . . . agree to contribute to the company, in the form of donations, an amount sufficient to construct the road and prepare it for the rails, payable when the road is completed, either in whole or by

⁴⁴ Indianapolis *Sentinel*, Sept. 2, 1869 (quoting Cairo *Bulletin*); Dec. 21, 1872; Blanchard, *op. cit.*, pp. 204, 681, 716, 730. See also Halm, *op. cit.*, p. 159.

⁴⁵ John W. Brooks, President, Burlington and Missouri Railroad in Missouri, to James F. Joy, President, Chicago, Burlington and Quincy Railroad, Jan. 23, 1872. Joy Collection, Ann Arbor, Michigan. This and a quotation used below were furnished through the kindness of Professor Thomas C. Cochran who is engaged in a study of the executive correspondence of American railroad leaders.

sections, and the cars are running. This being done, Eastern capitalists subscribe for the stock and advance whatever money is required. . . .

Thus the donors are sure to realize the benefits of the road, the capitalists make a profitable investment, and the public interests are subserved.⁴⁶

From the side of the communities, this had at least the advantage that they were not asked to put in their contribution until the road was built or the promised facilities were installed. As against paying in advance for stock in a road that might or might not be built, many a local government—particularly in the later years of the movement—had no hesitation in choosing outright subsidy to be paid only after the company had fulfilled specific conditions.

Negotiation might begin from either side. The community might send a committee to ascertain "what the owners of the road require in the way of assistance from those living upon the line of the road." The local railroad president might go to New York and come back reporting terms "most favorable to our people" but involving "five million in county and corporate subscriptions" as well as private subscriptions in land. Or the railroad might announce the terms on which it would make the decision. Choices of route or location of facilities were likely to be based both on "merits" and "inducements". The Western Maryland decided to leave the selection of part of its route "to those in either vicinity who may subscribe most liberally." The editor of the *New Albany Ledger-Standard*, telling his fellow townsmen that they could best Louisville in a contest for location by a municipal subscription of \$120,000, explained the company's position as follows:

The company would, of course, prefer to have these machine shops and car works located at New Albany, but . . . it will be very natural, in view of the great advantages they will bring to

⁴⁶ Quoted in *Indianapolis Sentinel*, July 11, 1869. The *Sentinel* itself had made much the same argument, from the Western point of view, on June 14 of the same year.

the city that gets them, for the company to do the best it can. This is business-like and perfectly proper.⁴⁷

The bargain was not always struck. Syracuse refused a municipal subscription to the Midland, and the directors decided to leave the city "widely to the left of the line." For certain prairie villages, such disagreement had more disastrous consequences, and their business was lost to new towns laid out a few miles away by the railroad itself.⁴⁸

The reported terms are often most definite. "The builders . . . agree to make Covington a point if she will make a donation of \$80,000, otherwise they will run the road in the direction of Perryville." Holden, Massachusetts, will add \$14,800 to its subscription "on condition that the road will be run through the centre of the town." "Oran township, Logan County, has delivered up its bonds to the Havana road, and is to have a depot."⁴⁹ Complaints of fraud ran in terms of similar questions:

The principal fraud alleged is, that various citizens of the county . . . represented to the citizens of Boonsboro that the depot would be located within one mile of that place, and to the inhabitants of Swede Point and other places that they would be as likely to get the depot as would Boonsboro, thus securing the votes of all the localities in favor of the contract.⁵⁰

Issues like these, and above all the question of the completion of the road, were the immediate concern of the communities. If railroad officials wished to profit by the aid of local governments, they must therefore—as one of them reminded another—take this consideration shrewdly into account:

⁴⁷ 41 ARJ (1868) 433; 43 ARJ (1870) 562; 44 ARJ (1871) 1266; 38 ARJ (1865) 605; New Albany (Ind.) *Ledger-Standard*, Dec. 12, 1880.

⁴⁸ 40 ARJ (1867) 921, 1129. Ford, *et al.*, *History of Northeast Indiana*, vol. I, p. 298. The latter refers to "the oft-repeated story of a railroad corporation going out and platting their own townsite."

⁴⁹ *Crawfordsville Review*, quoted in *Indianapolis Sentinel*, July 8, 1869; 43 ARJ (1870) 399; *Indianapolis Journal*, Jan. 5, 1873 (in its Illinois news).

⁵⁰ *Cedar Rapids and Missouri River Rail Road Company v. Boone County*, 34 Iowa 45 (1871-72) at p. 53.

In dealing with our new road from Dubuque north pray bear in mind that much of the surplus value beyond what we are to put in is to come from local aid which requires the most judicious management to amount to much. All such sources dry up at once with the progress of the road and nothing can be realized from any locality after they are sure of the road. The aid must come first or not at all. . . .⁵¹

Local Government Planning

From this review of the process of negotiation, two characteristics stand out clearly to define the part played by municipalities and counties in the movement for internal improvements. The first is the limited nature of most of the government planning involved. The rôle of the local government was typically not the planning of a great system of transportation. It was an attempt to gain a favorable competitive position for the particular community in a growing railroad network whose main outlines were determined by forces outside the control of the local authorities. Few towns were in a position to follow Baltimore in employing professional advice on their projects of railroad promotion or, like Cincinnati, to embark on the construction of an important road. Early railroads were often the products of local initiative in which the same groups of men were likely to be leaders both in the company and in the local government,⁵² and similar local enterprise continued in the construction of small and branch lines. But the more characteristic situation during the period of most active local aid was one in which the community—often a small one—had to make its arrangements with a railroad corporation from outside. The objects were immediate and local, and appeared urgent to the people of the communities. To attain them the voters and their representatives made and accepted, wisely or unwisely, what terms they could.

The second characteristic is the mingling of individualistic and collective elements in the program. The activity of the local governments was thought of as providing favorable conditions for individual and corporate enterprise. Except in the

⁵¹ John W. Brooks to James F. Joy, Jan. 28, 1871. See note 45 above.

⁵² Heath, *op. cit.*, p. 44.

small minority of strictly municipal enterprises, the public funds were added to those supplied from private sources. Appeals for aid were directed according to circumstances either to government authorities or to private individuals and groups or to both in combination.

The laws for distribution of public stock to individual taxpayers seemed to be based on the assumption that as far as possible a compulsory contribution should be regarded as the equivalent of a voluntary purchase. When the Mississippi Valley Railroad was conducting its campaign for local capital in 1870, public and private subscriptions were specifically treated as alternatives. The president told the stockholders that "a relinquishment of individual subscriptions" had become necessary when the County Court of Tipton County, Tennessee, had decided to make a corporate subscription. "It would", he explained, "have been a manifest injustice to lay upon citizens who had subscribed private stock an additional burden in the county levy that would have to be imposed."⁵³

More often, governments and private individuals were both urged to take part in the common enterprise. Newspaper stories and even railroad accounts sometimes made little or no distinction between the two. In the case of the Louisiana and Missouri, for example, it was reported that the stock had been subscribed for "by the counties along the line (including individual and municipal subscriptions)."⁵⁴ The *Hartford Evening Post* included "inhabitants" as well as local governments in the list of those whose donations were serving to attract eastern capital. The Oregon Central in 1868 was the recipient of state, city and county aid as well as of a land grant. Nevertheless, private individuals were exhorted to play their parts. "Every man can help some." Farmers should contribute food for the workmen. Teams should be freely supplied:

The right of way ought to be cheerfully donated in every case. Crossties can be easily furnished by persons along the line, each furnishing a few, and taking their pay in stock or lands. In this way let a "railroad spirit" be aroused and stirred to a deeper depth.⁵⁵

⁵³ 43 ARJ (1870) 868.

⁵⁴ 42 ARJ (1869) 874.

⁵⁵ 41 ARJ (1868) 608.

Community effort in support of railroad building, moreover, did not always cease when judicial ruling or legislation or constitutional provision put a stop to official action by the public authorities. The Supreme Court of Iowa ruled against local government aid in 1869. It appeared that this would kill the proposed North and South Railroad, for which Marshalltown had voted an appropriation. But the people of the town were promised that the work would go on if they would raise \$32,000 by private subscription. Accordingly, as the *Chicago Tribune* reported: "Schools were closed, business suspended, and everybody went to talking railroad; the band was out on the streets, and, after a sharp canvass, it was found that \$35,000 had been subscribed, and the road is now assured."⁵⁶ Citizens' committees, boards of trade and chambers of commerce sometimes took over the function of raising funds for the purposes for which public appropriations had previously been made,⁵⁷ and companies continued to ask for what they still called "local aid" and to secure it by playing upon the rivalry of competing towns.⁵⁸ In cases like these the long-continued practice of local aid through government means merged into a continuing practice of assistance through other forms of collective and civic effort.

Throughout the movement for internal improvements the grounds on which government action was urged remained much the same. For nation or state or locality alike, the arguments ran in the familiar terms of diffused advantages to the community as a whole—in income and employment opportunities for the people and in the increase of taxable wealth—that could not be precisely related to the interests of particular individuals or secured by private action alone. The intermixture of com-

⁵⁶ Quoted in 42 ARJ (1869) 646.

⁵⁷ For example, Philadelphia Board of Trade, 39 ARJ (1866) 589. They had occasionally done so even in cases in which government aid was still permitted. For example, Detroit Board of Trade, 42 ARJ (1869) 254.

⁵⁸ One of the most circumstantial and detailed stories of such rivalry comes from Ohio long after municipal aid had been forbidden. A committee of citizens went to Cleveland to consult the officials of the railroad and came back convinced that their town could win the railroad location against its rival if it would "whack up" \$25,000. It did and became an important railroad point. Taylor Hampton, *The Nickel Plate Road* (Cleveland, 1947), pp. 52-63.

mon and individual interests, and of governmental and private means, which was characteristic of the movement as a whole, was particularly marked in the case of local aid. So also was the pragmatic manner in which governmental measures were employed or discarded, as the needs of the situation seemed to demand.⁵⁹ Local aid activity—though reaching its peak in an era usually thought of as particularly hostile to government intervention—was carried on with little apparent regard to general theories of demarcation between the spheres of government and business enterprise.

The scope of public planning, however, varied markedly with the size and jurisdiction of the governmental unit and with the growth of corporate enterprise. Though certain cities projected surprisingly far-flung schemes of improvement, the smaller communities were manifestly in no position to make plans as comprehensive as those that could be made by the federal government or by the larger states. When Gallatin prepared for Congress in 1808 a plan of internal improvements conceived in terms of the economy as a whole, or when the state of New York completed the Erie Canal in 1825, there were no large private corporations in transportation. But when prairie towns and counties voted on proposed railroad appropriations in 1870, the question was one of aid to an existing company which had already determined the main outlines of its route. In terms of government planning, it was a far cry from the Gallatin Report to the township donation.

An Indiana judge in 1854, in an opinion sustaining a local appropriation for railroad aid, found in the movement an illustration of his dictum that in the United States "the political tendencies are centrifugal."⁶⁰ It was indeed characteristic of nineteenth-century America that the smaller governmental units—whatever their competence for planning—took on themselves so large a part of the responsibility and burden of government aid to railroad construction.

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⁵⁹ Goodrich, "Revulsion", esp. sec. 4, and "Public Spirit". See also *Public Aids to Transportation*, vol. II, p. 3.

⁶⁰ *The City of Lafayette v. Cox*, 5 Ind. 38.

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RECONSTRUCTION SOUTH

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CARTER GOODRICH

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PUBLIC aid to railroads in the South in the years immediately following the Civil War has usually been discussed as a colorful part of the political history of Reconstruction. In 1872, the Democratic members of the committee of Congress on "the Condition of Affairs in the Late Insurrectionary States" countered the Republican majority's findings on the outrages of the Ku Klux Klan with a minority report attacking the abuses committed by the Reconstruction governments.¹ Recklessness and corruption in aid to railroad corporations formed a major part of the indictment brought against the legislatures composed of "carpetbaggers" from the North, their Southern white allies or "scalawags", and the newly enfranchised Negroes. Later accounts have followed much the same pattern. Though it is recognized that public support of railroad construction was often accepted policy before Radical Reconstruction, the general impression given by the

* This is one of a series of articles prepared under the auspices of the Council for Research in the Social Sciences of Columbia University. Previous articles were published in the *POLITICAL SCIENCE QUARTERLY*, "National Planning of Internal Improvements", vol. XLIII, No. 1 (March 1948), pp. 15-44; "The Virginia System of Mixed Enterprise: A Study of State Planning of Internal Improvements", vol. LXIV, No. 3 (Sept. 1949), pp. 355-387; and "Local Government Planning of Internal Improvements", vol. LXVI, No. 3 (Sept. 1951), pp. 411-445; in the *Journal of Economic History*, "The Revulsion Against Internal Improvements", vol. X, No. 2 (Nov. 1950), pp. 145-169; and (with Harvey H. Segal), "Baltimore's Aid to Railroads: A Study in the Municipal Planning of Internal Improvements", vol. XII, No. 1 (Winter 1953), pp. 2-35; and in the *Proceedings of the American Philosophical Society*, "Public Spirit and American Improvements", vol. 92, No. 4 (Oct. 25, 1948), pp. 305-309.

The author has profited by the perceptive research assistance of Mr. Nathan Miller. The principal source used was the admirable collection of state documents in the New York Public Library. Use has also been made of the Library of Congress, the Columbia University Libraries, the Alabama State Library at Montgomery, the State Library and Archives of Tennessee at Nashville, and the public libraries of Nashville and of Mobile, Alabama.

¹ *Report of the Joint Select Committee to Inquire into the Condition of Affairs in the Late Insurrectionary States (Ku Klux Conspiracy)*, 13 vols. (Washington, 1872). This will be cited as *Ku Klux Report*.

literature is that of an "orgy" of extravagance, bad judgment and financial corruption under Radical rule followed by a return to honesty and financial prudence when the victory of the Democratic or Conservative party brought "Redemption" and the restoration of white supremacy.

Yet in the long history of American attempts to promote internal improvements by public action, railroad aid during Reconstruction is not a wholly isolated phenomenon. It may therefore be of value to reexamine it in the light of our increased knowledge of internal improvement measures in other regions and other periods, and in the light of the economic conditions and the transportation developments of the time.

For such an examination, the first requisite is a general view of the measures adopted by Southern legislatures and constitutional conventions. Table I on the following pages attempts such a conspectus for each of the eleven states that formed part of the Confederacy. It is arranged by years, from 1866 through 1879, and also with relation to the major political changes. The area between the heavy lines is intended to represent for each state the period of Radical Reconstruction in the conventional sense of the term, during which the Radical party was in control and the state met the full prescriptions of Congressional Reconstruction, including the admission of Negroes to franchise and office and the disenfranchisement of citizens active in the life of the Confederacy.² In the cases of Virginia and Tennessee, which did not experience reconstruction in this full sense, the single dividing line is drawn at the point fulfilling the three conditions of Negro franchise, restoration to the Union, and control by the Democratic party. The lower part of the Table thus represents the condition after what Southern writers commonly describe as "Redemption", and it is extended through 1879 in order to take account of the situation following the end of Reconstruction in the last group of states at the beginning of 1877.

² The dates for the end of Radical Reconstruction conform in general to those given in William A. Dunning, *Reconstruction, Political and Economic, 1865-1877* (New York, 1907), map opposite p. 114. In the case of Texas, the election of a Conservative legislature in 1872, rather than of a Conservative governor in 1873, is taken as the turning point.

Some of the legislation consisted of general enactments setting forth conditions under which state aid would be given or local aid authorized. These appear in the Table as "general state", "general local", or "general county". Much more often, the laws extended aid to a particular railroad or permitted particular communities or groups of communities to render such aid. In these cases, the entries indicate the number of cases and the agency, for example, "1 state" or "8 local". In the case of a state, financial aid most often took the form of the loan of its own bonds or its endorsement of the company's; the amount is given where possible in absolute figures or as a rate per mile. In the case of local authorities, the most common type of aid was subscription to the company's stock. The entries in italics indicate actions on the other side of the ledger, including the repeal of aid legislation and constitutional prohibitions against further aid.

The Table represents the intentions of the legislatures and does not measure the burdens actually incurred by the governments or the amount and timing of the aid received by the companies. Railroads often failed to meet the conditions specified for the granting of aid, or met them only over a period of years. Local electorates sometimes voted against the subscriptions authorized by the legislatures. The contingent liability incurred in the endorsement of a corporation's bond might or might not become an actual one. From the side of the corporation, a million dollars received in depreciated state bonds would do less than a million dollars' worth of construction.

Within these limitations, an examination of the Table discloses certain significant characteristics of the movement for railroad aid. The first is its ubiquity. Not one of the eleven states failed to use public money to promote the development of railroads. The second is its variety of forms. Particularly striking is the number of expedients found for giving assistance without directly involving the money or credit of the public agency. Texas had lordly acreages of land to grant, and other states could give lands forfeited for taxes or swamp or overflowed lands or what remained of earlier federal grants. In almost all cases, railroads were allowed generous rights of way

TABLE I
RAILROAD AID LEGISLATION IN THE RECONSTRUCTION SOUTH: 1866-1879

	LOUISIANA	SOUTH CAROLINA	FLORIDA	MISSISSIPPI	ARKANSAS
1866		2 state (1 \$600,000; 1 \$6,500 per mi.)	1 state (land) 1 local		
1867	1 state (way and materials)			1 state (way and materials)	General state (\$10,000 per mi.) 6 local
1868	3 state (1 \$25,000; 1 \$6,000 per mi.; 1 way and materials) 1 local	<i>suspension of earlier state aid</i> 1 state (\$4,000,000 plus \$20,000 cash) 1 local	<i>const. forbids tax for corporation</i> 1 state (way and materials) 1 local	<i>const. forbids state loan of credit or stock subscription</i>	<i>State aid requires voters approval</i> general state (\$10-15,000 per mi.) and county
1869	3 state (2 \$12,500 per mi.; 1 \$10,000)	2 state (1 \$50,000 plus renewal earlier aid; 1 \$500,000 plus deferment of lien)	general county 2 state (\$14,000 per mi.) 1 state (way and materials)		general state (forfeited lands)
1870	1 state (\$12,500 per mi. plus \$3,000,000) 1 local	<i>partial sale railroad stock</i>	5 state (2 add't'l \$2,000 per mi.; 1 \$10,000; 1 \$12,500; 1 \$14,000)	2 state (way and materials) 8 local	
1871	5 state (1 \$2,500,000; 3 12,500 per mi.; 1 \$7,500)	1 local 1 state (deferment of lien) <i>partial sale railroad stock</i> 1 local		general state (\$4,000 per mi.; 1 state (rr. stock) 4 state (way and materials) 1 state (cheap land) 11 local	
1872	1 state (\$12,500 per mi.) 1 state (way)	1 state (exchange) 1 local <i>const. forbids state loan without approval 3/4 voters</i>		general local 1 state (\$4,000 per mi.) 5 state (cheap land); 6 state (way and materials) 17 local	

TABLE I
RAILROAD AID LEGISLATION IN THE RECONSTRUCTION SOUTH: 1866-1879

ALABAMA	TEXAS	GEORGIA	NORTH CAROLINA	VIRGINIA	TENNESSEE
3 local	general state (16 sections per mi.) general local 8 state (land) 2 state (way) 1 local	state road (\$1,500,000) 1 state (\$10,000 per mi.) 3 local	3 state (1 renewal $\frac{3}{4}$ stock subscrip- tion; 2 securities) 2 local	3 local	41 state (9 \$10,000 per mi.; 32 total \$7,147,000) 1 local
general state (\$12,000 per mi.) 3 local			7 local	1 state (concession on lien) general local 2 local	23 state (2 \$5,000 per mi.; 3 \$10,000; 17 total \$3,095,000; 1 way and materi- als) 8 local
general state (16,000 per mi.) general local 2 local	1 local	3 state (1 \$8,000; 1 \$10,000; 1 \$12,000 per mi.) <i>const. forbids state subscription</i>	7 state (2 \$10,000 per mi.; 5 total \$4,650,000) 2 local		6 state (2 \$10,000 per mi.; 1 \$8,000; 1 \$5,000; 2 total \$140,000) general local 7 local
	<i>const. forbids land grants</i>	4 state (1 \$8,000; 1 \$12,000; 1 \$15,000 per mi.) 1 local (land)	8 state (1 \$20,000 per mi.; 7 total \$12,150,- 000) general county 4 local	<i>const. forbids state subscription or grant of credit</i>	1 state (\$8,000 per mi.) 7 local
5 state (1 \$16,000; 1 addtl \$6,000 per mi.; 1 \$2,500,000; 1 \$300,000) 2 local	1 state (\$10,000 per mi.) 7 state (way and materi- als) 2 local	29 state (16 \$12,000; 11 \$15,000; 2 \$3,000 additional per mi.) 5 local <i>lease of state road</i>	4 local	1 state (renewal of guar- antee) 10 local	<i>repeal of state aid*</i> 10 local* <i>const. forbids state loan or subscrip- tion</i>
1 local (\$1,000,000)	2 state (\$10,000 per mi.) 12 state (way and materials) 2 state (way) general local 6 local	6 local	<i>repeal of state aid</i> 22 local	8 local <i>state interest in railroads to be sold</i>	general local (further special laws not required)
4 local		10 local	6 local	12 local	

TABLE I (Continued)

RAILROAD AID LEGISLATION IN THE RECONSTRUCTION SOUTH: 1866-1879

	LOUISIANA	SOUTH CAROLINA	FLORIDA	MISSISSIPPI	ARKANSAS
1873	1 state (way) 1 local	4 local	<i>repeal of state financial aid</i>	7 state (1 \$10,000 per mi.; 1 \$8,000; 1 way; 3 way and materials; 1 cheap land) 9 local	general local 11 state (forfeited land) 1 local
1874	2 state (way and materials) 2 local <i>repeal lapsed grants</i>	8 local	general state (land) 2 state (1 land; 1 way and materials)	2 local	<i>const. forbids local aid and state loan of credit</i>
1875	1 state (way and materials)	2 local	<i>const. forbids state loan or subscription or local aid</i>	1 state (previous rr. loans) 1 local	1 state (forfeited and swamp land)
1876	2 state (way and materials) 2 local				
1877	2 state (way and materials) <i>repeal 1 local</i>	2 local	2 state (way and materials)	1 state (relinquishing loan)	
1878	1 state (\$2,000,000) 3 state (way and materials) 2 local	7 local		1 state (cheap land) 3 local	
1879	1 state (transfer of land grant)	1 local	1 state (way) 1 state (land, way and materials) 4 state (land)		7 state (forfeited and swamp land)

Source: Session Laws of the eleven states. The area within the heavy lines represents the period of Radical Reconstruction, that below the lower line the period after "Redemption".

TABLE I (Continued)

RAILROAD AID LEGISLATION IN THE RECONSTRUCTION SOUTH: 1866-1879

ALABAMA	TEXAS	GEORGIA	NORTH CAROLINA	VIRGINIA	TENNESSEE
general state (\$4,000 per mi. in exchange for \$16,000 endorse- ment)	29 state (26, 16 sections; 1, 20; 2 way and materials) 1 general (way and materials) 21 local (14 land only)	1 local	8 local	8 local	
	11 state (1, 20 sections; 6 16; 3, 12 or 16; 1, 8) 1 local (land) <i>partial repeal local</i>	1 state (rr. stock) 2 local <i>repeal of state aid</i>	4 local	4 local	
1 local <i>const. forbids state works or loan or local aid; repeal state general</i>	19 state (1, 20 sections; 17, 16; 1, 4) 9 local (7 land) <i>const. forbids local aid, state grant money</i>	1 local	9 local 1 state (purchase majority interest \$850,000)	4 local	<i>local aid by Nash- ville forbidden</i>
	state general (16 sections per mi.)	1 local		6 local	
		2 state (1 loan, 1 way) 2 local <i>const. forbids state and local aid</i>	1 state (adds \$1.50 per share) 1 state (\$70,000 per year for purchased rr) 8 local	6 local	
				5 local	
			1 state (\$50,000) 10 local	8 local	

* The repeal law and one of the local laws were adopted in December 1869 after the Democratic victory in the fall elections.

through the state lands, usually with the privilege of taking from them timber and other necessary materials.³

Of greater interest is the question of the relationship between railroad policy and political régime. The Table demonstrates that the answer is neither simple nor uniform. There are, to be sure, a number of cases which conform rather closely to the stereotype of extensive aid under Radical rule and sharp reversal of policy after Redemption. In Arkansas and Tennessee, Democratic régimes adopted constitutional prohibitions within their first year of office. In Alabama and Georgia, state aid ceased no less abruptly after the "Redeemers" came into power, though constitutional prohibitions did not follow until 1875 and 1877.

But four other states—Louisiana, North and South Carolina, and Florida—show a different and somewhat unexpected pattern. In these the revulsion against lavish subsidy to railroads occurred under Radical rule before the Conservatives recaptured power, which in three cases took place only at the very end of the Reconstruction period.

There remain three states which fit into neither of the categories. The experience of *Texas* was rendered exceptional by the vast territories at the disposal of the state government, and here the land grant was by far the most important form of assistance. A first glance at the Table might even suggest that the case was the opposite of the classic one. A convention dominated by Conservatives adopted in 1866 a constitutional provision, never used during Reconstruction, permitting state endorsement of railroad bonds at the rate of \$15,000 per mile. In the same year the legislature reenacted an 1854 statute which offered sixteen sections per mile to any railroad fulfilling the specified conditions. On the other hand, the framers of the Reconstruction constitution, which was adopted in 1869, regarded this policy as "profligate"⁴ and forbade land grants altogether—a restriction which remained in force until 1873. In this respect Redemption was followed not by restraint but

³ Other privileges, not given in the Table, were provisions for tax exemption, often included in railroad charters, and the free use of convict labor for construction.

⁴ S. G. Reed, *A History of the Texas Railroads* (Houston, 1941), p. 149.

by more liberal largesse. The self-styled "Liberators of Texas", who took over control of the legislature in 1873, offered in that year sixteen or more sections per mile to no less than twenty-seven railroad corporations and continued the land-grant policy in subsequent years.⁵ The greatest controversy, however, and the principal charges of corruption were over two measures for the donation to railroads of large issues of state bonds. These acts were both passed during Radical Reconstruction, though the bonds were never issued. It was a Democratic legislature which substituted land grants for them, and it was a convention under Democratic control which in 1875 outlawed state grants of money as well as further aid by local authorities.

Yet party lines were by no means clearly drawn either on the issue of financial or of land-grant aid. A Republican newspaper denounced the Democrats in one year for favoring "ruinous railroad subsidies" and in another for being "anti-railroad ox-cart demagogues".⁶ The most controversial of all the Texas measures of railroad subsidy, the law of 1871 which offered \$6,000,000 in bonds or 14,400 sections of land to two companies of what became the Texas and Pacific system, was carried largely by Democratic votes over the second veto of a Radical Governor.⁷

Another case, that of *Mississippi*, is less of an exception than is commonly supposed. Because of the constitutional prohibition against the loan of the state's credit adopted by the so-called "Black and Tan Convention" of 1868, Mississippi has often been thought of as largely immune to the fever of railroad subsidy.⁸ It did grant less aid than most. Yet local authorities, urged on by newspapers within the state and outside,

⁵ By 1882, when the land-grant legislation was finally repealed, the companies had received more than 32,000,000 acres. Reed, *op. cit.*, p. 157.

⁶ *San Antonio Express*, Aug. 3, 1870; Aug. 2, 1874.

⁷ Charles W. Ramsdell, *Reconstruction in Texas* (New York, 1910), pp. 307-308. *Ku Klux Report*, vol. I, p. 212. In the preceding year, the veto had been barely sustained, 3 Democrats and 35 Republicans voting for it, and 27 Democrats and 31 Republicans against. *San Antonio Express*, Aug. 3 and 6, 1870. See also Charles S. Potts, *Railroad Transportation in Texas* (Austin, 1909), p. 96.

⁸ James Wilford Garner, *Reconstruction in Mississippi* (New York, 1901), p. 281, but see also pp. 288-289, 302-303, 329.

gave assistance to railroads to an extent which the majority of the Ku Klux Committee regarded as extravagant.⁹ Moreover, as the Table indicates, the state government itself found a variety of assets which could be transferred to the railroads without direct violation of the constitutional provision. Most of these expedients were devised by Republican legislators, and no Democratic votes were cast in favor of the controversial act of 1871 appropriating \$4,000 per mile for railroad aid out of actual or anticipated balances in the State Treasury. Yet part of the Democratic press applauded the measure, admitting that "even its evil parentage" could not "hide its intrinsic good."¹⁰ When the Redeemers finally came into power in 1876, they rejected the recommendation of the holdover Republican Governor to repeal the act giving \$8,000 per mile to the Vicksburg and Memphis and contented themselves with tightening the conditions of the grant.

Virginia, a state which did not experience Radical Reconstruction, was the only one of the eleven which gave no direct state aid to railroads during the period. As the result of its vigorous ante-bellum program of assistance to internal improvement, the state held a majority of the stock in most of the Virginia railroads and was the sole owner of several. These roads, like those of the rest of the South, were in poor physical condition at the end of the war. Instead of embarking on a policy of new investment, the Virginia legislature in 1871 decided to sell its railroad securities and apply the proceeds to the improvement of the state's immediate financial position. Railroad leaders took an active part in state politics, and in this case charges of undue subservience to railroad interests have been made not against Radicals for lavish subsidy but against Conservatives for selling railroad assets at too great a loss and without adequate provision for future regulation.¹¹ On the other hand, local government agencies in Virginia, like those in

⁹ *Ku Klux Report*, vol. I, p. 369. See also *Mobile Register*, Oct. 24, 1871.

¹⁰ *Liberty Herald*, quoted in *Jackson Mississippi Daily Pilot* (Republican), June 8, 1871. See also the *Pilot*, June 3 and 12.

¹¹ C. Vann Woodward, *Reunion and Reaction* (Boston, 1951), p. 41.

many of the other states, continued throughout the period their active aid to new railroad construction.

Though no brief summary could do justice to the variety of Southern railroad experience and policy during Reconstruction, it may be of service to attempt a comparative analysis of the two principal groups of cases outlined above. Since it seems impossible to write on this period without using the words coined by one side in the controversy, they will be discussed under the headings "Orgy and Revulsion" and "Revulsion Before Redemption".

Orgy and Revulsion

If the partisan epithet of "orgy" fits any part of the story, it may certainly be applied to *Georgia* in 1870. The Congressional conditions for restoration to the Union were not fully met until the beginning of that year, since the legislature of 1868, though elected under the Reconstruction Act, had expelled its Negro members. At the end of 1870, the Conservatives carried the election. There was therefore only a single year of Reconstruction in the strictest sense. Within it, the legislature voted to aid twenty-nine railroads by bond endorsement at the rate of \$12,000 or \$15,000 per mile; and in some cases the Governor endorsed the bonds with suspicious promptness. Some three million dollars' worth of these endorsements, on the bonds of three companies, were later repudiated by the state on the ground that the railroads had not complied with the requirements of bona fide investment and construction. An investigating committee appointed after the Democrats regained control found it "worthy of remark" that "the State's trust was only abused upon" the three roads whose president was a close business associate of the Governor's, and it also charged that the measures themselves had been "pushed through this bastard Legislature, by the infernal force of *gold*".¹²

Another indignant committee investigated the management of the state-owned Western and Atlantic Railroad. It collected accusations and admissions of guilt and presented them

¹² *Report of the Committee to Investigate the Bonds . . . issued or negotiated since July 4, 1868* (Atlanta, 1872), pp. 5, 183. Italics in original.

under exclamatory headlines.¹³ But it is not necessary to evaluate this "raw file" of data to reach the conclusion that the state's property was plundered. Of this the financial record seems a clear indication. On the eve of the war, the net earnings of the Western and Atlantic had reached \$450,000 a year. In 1866 the state borrowed \$1,500,000 to put it back into good condition. Through most of the year 1869, the road paid into the State Treasury \$25,000 a month. At the end of 1870, private interests contested eagerly for the privilege of leasing the road at a monthly rental at the same figure. Yet under Radical administration in the year 1870, the state road incurred a deficit of at least \$500,000.¹⁴

At the end of this remarkable year, the road was leased for twenty years to a private company. There were two principal contesting groups, one closer to the Governor, the other managing to enlist the support of Northern railroad and political interests. "By some combination on the last day in the morning," the rival parties entered a single successful bid at the minimum rate provided under the law.¹⁵ During the twenty years of the lease the company made a substantial margin over the monthly rental of \$25,000, though apparently it would have suffered a small loss if the figure had been \$30,000 instead.¹⁶

¹³ *The Evidence taken by the Joint Committee of the Legislature . . . to investigate the management of the State Road under the administration of R. B. Bullock* (Atlanta, 1872).

¹⁴ It paid \$45,000 into the Treasury but ran up heavy debts. N. P. Angier, the State Treasurer, testified in 1872 that more than \$400,000 had been paid on this account during his term of office. *Ku Klux Report*, vol. VI, p. 157. His last Treasurer's Report, for 1872, contains the item: "Further unsettled claims against W & A RR—\$120,000." Reports of later Treasurers indicate that the state was paying on this account as late as 1877. Other estimates of the debt total are \$700,000 and \$750,000. C. Mildred Thompson, *Reconstruction in Georgia* (New York, 1915), pp. 238, 245, gives the figure as "nearly three quarters of a million", though pointing out that the condition of the books made impossible an accurate computation.

¹⁵ *Testimony before the Joint Committee on the Legislature of the State of Georgia to investigate the fairness or unfairness of the contract known as the Lease of the Western and Atlantic Railroad* (Atlanta, 1872), esp. p. 6. Thompson, *op. cit.*, ch. vi, gives an account of the "intricate" negotiations.

¹⁶ Dividends paid during the lease were \$665,891.98, the credit balance at the end was \$343,060.52, and the state later paid a claim of \$99,644.04. James Houston

When the Redeemers came into power, they reacted promptly against Radical recklessness in railroad finance. The flood of measures for state aid ceased abruptly, though some twenty statutes authorizing local aid were passed in the years from 1871 to 1877. The legislature of 1872, though condemning the manner in which the lease of the state road was obtained, declared that the contract itself was "a most advantageous one, as it secures a fair sum certain for the treasury, and removes the road, with its business complications, from the politics of Georgia, which of itself is a consummation devoutly to be wished."¹⁷ In the same year the Democrats began the process of repudiating what they considered the fraudulent commitments of the previous régime. In 1874, the legislature repealed all earlier provisions for bond endorsement, excepting only a few cases in which a vested right had been established by actual investment and construction. Delegates to the Convention of 1877 declared that one of its main objects was to put an end to railroad subsidies,¹⁸ and the constitution as adopted prohibited both state and local aid.

Yet even in Georgia, the contrast in railroad policy between Radical Reconstruction and the remainder of the period was less than absolute. During the years before 1870, powerful pressure was building up in support of liberal subsidy to railroads. The Conservative legislature of 1866, in addition to providing for the repair of the Western and Atlantic, passed measures offering state aid to a number of other railroads. The Governor protested that there was no "precedent for general aid" of this sort and insisted that Georgia's traditional policy of confining assistance to one or two trunk lines, and mainly to the single state road, was still "the wisest, safest and most

Johnston, *Western and Atlantic Railroad of the State of Georgia* (Atlanta, 1931), pp. 67-70. If there is no duplication between the second and third items, the total return to the stockholders was \$1,108,596.54, or an average of a little over \$4,600 per month. The next lease was made for 29 years at \$35,001 per month. *Ibid.*, p. 72.

¹⁷ August 26, 1872. The bill authorizing the lease had been introduced by a Democratic member of the 1870 legislature.

¹⁸ *A Stenographic Report of the Proceedings of the Constitutional Convention* (Atlanta, 1877), esp. pp. 297, 298, 300.

comprehensive plan."¹⁹ He made one reluctant exception, in the case of the Macon and Brunswick, and vetoed the bills for aid to the other companies. The pressure mounted still further in the legislature of 1868-69, and acts were adopted to endorse the bonds of seven companies. It was this body, in which control was divided between Republicans and Democrats, that broke with Georgia's traditional policy before full Reconstruction began.

Tennessee was never in the strict sense a Reconstruction state. Restored to the Union in July 1866, it was not reorganized under Congressional regulations; but many of its white citizens were disenfranchised in 1865 and suffrage was extended to Negroes in the following year. A Radical régime gave liberal aid to railroads in what its opponents later called "a carnival of revelry and corruption,"²⁰ and the Democrats who took control in December 1869 provided one of the sharpest and most immediate cases of reaction against the policy of state assistance.

The Radicals inherited an ante-bellum system of state aid and some 1,300 miles of railroads badly in need of post-war rehabilitation. To assist in this process, the companies previously aided were excused from interest payments on their state bonds until 1870, and new bonds to the amount of nearly \$3,500,000 were voted in January 1866. Additional legislation before the end of the year provided aid in no less than twenty-six cases, mainly for new construction. Several other measures were adopted in 1867, and in December of that year an "Omnibus Bill" was adopted granting new aid to fifteen railroads.

Under the Radicals, the companies received a total of nearly \$14,000,000 in state bonds. In violation of the provisions of both the pre-war and the post-war acts, the bonds were generally disposed of by the companies at less than par, and the requirements of bona fide private subscriptions and of prior construction were frequently evaded. In one of the more extreme cases,

¹⁹ *Senate Journal*, 1866, pp. 445-446; *House Journal*, 1866, pp. 244-246. Milton C. Heath, *Constructive Liberalism* (Cambridge, 1954), emphasizes the uniqueness of this aspect of Georgia's ante-bellum policy.

²⁰ "The State Debt Report of the Committee to Investigate It", *Appendix to the House Journal*, 1879, p. 15.

the Tennessee and Pacific had up to 1870 received \$1,185,000 in state bonds and \$600,000 in county bonds as compared with paid-up private subscriptions of less than \$17,000.²¹

Charges of corruption centered on the passage of the "Omnibus Bill" of 1867. The majority of a committee of the Democratic legislature of 1879 declared that recruits for this "assault on the Treasury" had been gathered "from the pulpit to the bagnio," with additional advice from a "female spiritualistic medium." The minority report conceded that there was "strong presumptive evidence" though not legal proof "of bribery and corruption."²²

There was no doubt of the reaction when the Democrats came into power. One of the first acts of the legislature which met at the end of 1869 was a repeal of state aid, and the constitutional convention of the following year adopted a provision forbidding future aid. In both bodies, the sentiment was overwhelmingly in favor of dissolving the partnership between the state and the railroads, which one delegate described as "the dead bodies . . . tied to Tennessee."²³

Tennessee thus furnishes a sharp contrast between Republican and Democratic policy toward railroad aid. Yet there were at least some signs of revulsion before redemption in the mild cautions of Republican governors in messages of 1868 and 1869,²⁴ in the campaign of a Republican paper against state management of railroads,²⁵ and in the vigorous intervention of the State Comptroller which helped defeat a second Omnibus Bill in 1868.²⁶ On the other hand, the earlier Radical measures of railway aid seem to have had very general popular support.

²¹ Tennessee General Assembly, *Appendix to the Senate and House Journals*, 36 Assembly, 2 and 3 Sessions, 1870-71, pp. 1-255, 327-670, 721-994.

²² "The State Debt", *loc. cit.*, pp. 16, 17, 29-30.

²³ *Nashville Union and American*, Feb. 1, 1870, Nov. 25, 1869. "The State Debt", *loc. cit.*, p. 80.

²⁴ *Nashville Press and Times*, Nov. 11, 1868, June 18, 1869.

²⁵ *Ibid.*, Feb. 14, Feb. 20, Nov. 10, 1868.

²⁶ Stanley J. Folmsbee, in Philip M. Hamer, ed., *Tennessee: A History, 1673-1932* (New York, 1933), vol. II, p. 668.

A Republican paper was able to list names to show that about nine tenths of the bonds issued had gone into the hands of Democratic railroad presidents.²⁷ "The public debt of Tennessee", declared a Democratic editor in 1873, "represents an actual investment which has more than doubled the wealth of the State and which by the operation of railroads, and their accumulation of capital is daily adding thereto."²⁸

Finally, it should be noted that the Democratic revulsion did not extend to action by local authorities, which had been authorized by the Radicals in some twenty cases. The same legislature which repealed the state aid program adopted ten measures authorizing local aid, and in 1870 the Democrats passed a general law liberalizing the conditions for such assistance and making it unnecessary to come to the legislature for a special law in each instance.

The case of *Alabama* is a less perfect illustration of "orgy and revulsion". It is true that the greatest open-handedness toward the railroads was shown by the Radicals and that the Redeemers closed the history by constitutional prohibition. But the differences between pre-Radical and Radical legislation were less great than in some cases, and important steps toward readjustment were taken some time before the Conservatives returned to power.

The legislature of 1867, responsive to appeals for railroad building to make "the hills and valleys of Alabama . . . vocal with industry,"²⁹ adopted a general law offering state endorsements of railroad bonds at the rate of \$12,000 per mile. "This act served as a basis for all of the state aid laws" of the Radical period.³⁰ The first Republican legislature, meeting the following year, promptly amended the act by easing its conditions and

²⁷ Nashville *Tennessee Tribune*, Nov. 13, 1871.

²⁸ Nashville *Union and American*, Feb. 16, 1875.

²⁹ Tuscaloosa *Observer*, quoted in *Mobile Daily Advertiser*, Aug. 28, 1867.

³⁰ A. B. Moore, "Railroad Building in Alabama During the Reconstruction Period", *Journal of Southern History*, vol. I (1935), p. 422. This article, pp. 421-441, is one of the few treatments of railroad aid during Reconstruction which relate it to developments in other parts of the country.

raising the rate to \$16,000 per mile. It also adopted a general measure providing for local aid.³¹ The next legislature authorized a number of additional endorsements, including one increasing the rate per mile to \$22,000, and voted \$2,000,000 in state bonds to the Alabama and Chattanooga. By September 30, 1871, endorsements under these various acts had reached \$13,120,000, and \$2,300,000 had been issued in state bonds.³²

The stories of corruption center on the session of 1870-71. It was at this time that J. C. Stanton won such a reputation as lobbyist for his own and his brother's railroad interests that it was said "that other railroads could do nothing without giving him a large slice."³³ The unfortunate Jere Haralson, perhaps the most often quoted bribe-taker of the period, received sixty dollars in a hotel room but believed that his more sophisticated colleagues were collecting several hundred dollars apiece.³⁴ The Radical Governor confessedly issued bonds and signed railroad endorsements in violation of the conditions requiring prior construction, and in one case made endorsements for a greater mileage than the road had been authorized to build. The Democrat who succeeded him, in a partial hiatus of Radical rule, was himself accused by a committee of the Democratic House of illegal endorsements and of gross laxity in keeping the records of railroad aid.³⁵

After 1870 there was no further legislation calling for state financial aid, though two measures were passed in 1871 to borrow money to meet unpaid interest on the bonds of the Alabama and Chattanooga. The legislature of 1872-73, with the Republicans again in full control, authorized the purchase of this railroad,

³¹ Walter L. Fleming, *Civil War and Reconstruction in Alabama* (New York, 1905), pp. 604-605, tabulates the heavy commitments made by a number of counties under this and subsequent legislation.

³² Legislature, *Public Documents*, 1871-72, p. 91.

³³ *Memphis Daily Advertiser*, Feb. 8, 1871.

³⁴ Fleming, *op. cit.*, p. 593. *Ku Klux Report*, vol. I, p. 319. See also *House Journal*, 1871/72, p. 236 and *passim*.

³⁵ John Witherspoon DuBose (James K. Greer, ed.), *Alabama's Tragic Decade* (Birmingham, 1940), pp. 180, 183, 339-342. See also *Ku Klux Report*, vol. I, p. 172. The Radicals retained control of the Senate.

now in bankruptcy, and its sale to private interests. In 1873 a measure was adopted to substitute smaller fixed obligations for larger contingent ones by offering the railroads \$4,000 per mile in state bonds in exchange for the return of \$16,000 per mile in endorsements. Under this act, over \$5,000,000 in endorsed bonds were exchanged at what a modern historian has described as "a large saving to the state."³⁶ But contemporary opinion on the measure was sharply divided, and in this as in other cases the divisions failed to coincide with party lines.³⁷ Though the act was carried mainly by Republican votes, it was praised by a leading Democratic paper as "a great financial measure, worthy of the conception of the genius of a Neckar," since it would at the same time save the public credit and stimulate internal improvement.³⁸ On the other hand, the *State Journal*, official organ of the Republican party, denounced it as an iniquitous scheme of the rich corporations. "They put up a poor mouth, and beg for another teat whereby to suck away the life blood of Alabama."³⁹

The Conservatives came into power by the elections of 1874. In 1875 they adopted constitutional prohibitions forbidding both local aid and the loan of the state's credit. By negotiations with creditors, they succeeded in still further reducing the burden of the state's railroad obligations. But such reductions had already begun in 1873. A recent historian has noted the extensive increase of railroad mileage under the Radical régime,⁴⁰ and the State Auditor, in 1877, gave a somewhat unexpected valedictory on railroad aid in Alabama. He did not wish "to

³⁶ Moore, *loc. cit.*, p. 439.

³⁷ Horace M. Bond, *Negro Education in Alabama* (Washington, 1939), ch. iv, suggests that some of these variations may be explained by the fact that the Stanton railroad interests were particularly close to the Republican party while their rivals of the Louisville and Nashville had closer relations with the Democrats. The Republican *Montgomery Alabama State Journal* appealed to popular feeling against the outsider L. & N. interests on April 8, 1873. But so, in another connection, did the Democratic *Mobile Register* on March 9 and 10, 1875.

³⁸ *Mobile Daily Register*, April 5, 1873.

³⁹ *Montgomery Alabama State Journal*, April 6, 1873.

⁴⁰ Moore, *loc. cit.*, p. 441. See also Table II below.

defend the policy of subsidizing corporate companies," but he felt it his duty to point out "that the state is not reeling under the effort to carry a fraudulent railway debt and that she stands at this day almost in the attitude of a beneficiary of that dangerous policy."⁴¹

The case of *Arkansas* falls only doubtfully under the heading given above. It is true that the first Radical legislature promptly submitted to the people a liberal general aid law calling for state bonds of \$10,000 per mile for roads receiving federal land grants and of \$15,000 per mile for others and that this was carried almost unanimously by popular vote. A swarm of promoters, some of them evidently counting on their political influence, chartered no less than eighty-six companies to take advantage of the law. Many of them were new men, unlike the old-line Democratic railroad presidents who received most of the aid in Tennessee. The Republican Governor was accused of receiving bribes and of irregularities in the issuance of bonds. Within the first year of Redemption, moreover, a constitutional convention adopted provisions forbidding both local aid and the state's loan of credit.⁴²

If this seems to conform to the classic picture of Radical recklessness and Redeemers' revulsion, certain qualifications are nevertheless required. Only five of the many corporations, after some consolidation of smaller companies, actually received state bonds. More attention has been paid to the questionable wording of the ballot in the 1868 referendum, which read simply "For Railroads" or "Against Railroads",⁴³ than to the fact that the Conservative legislature of the previous year, unhampered by the restriction in the Reconstruction constitution against state aid without vote of the people, had adopted over the Governor's veto a similar measure giving aid at \$10,000 a mile.

⁴¹ *Report of the State Auditor of Alabama*, Sept. 30, 1877, p. 6.

⁴² Thomas S. Staples, *Reconstruction in Arkansas, 1862-1874* (New York, 1923), pp. 360-366. Powell Clayton, *The Aftermath of the Civil War in Arkansas* (New York, 1915), ch. xi. *House Journal 1868-69*, pp. 24, 664-665; 1871, pp. 370, 538-541.

⁴³ This irregularity was later used as a basis for repudiation of the bonds issued under the act. Staples, *op. cit.*, p. 352, points out that the issue was "kept squarely before the public" in an exciting campaign.

As late as 1870, a Democratic newspaper was claiming credit for this measure to show, as it put it, "that our own people set on foot this spirit of improvement before the cormorants came."⁴⁴ The same legislature also adopted measures for local aid.

During the six years of Radical rule, the railway mileage of the state increased by 662 miles. Not all of this received state subsidy, but the Arkansas case is one in which the mileage actually constructed under state aid approached very closely the mileage for which the assistance was intended.⁴⁵

Railway aid was still a lively issue in the final legislature under Radical control, that of 1873. A general law was passed providing for aid by local authorities. A bill was introduced to permit the railroad companies to substitute their preferred stock in exchange for the release of their mortgage obligations to the state. It was argued, as sometimes in other states, that such subordination of the public claim was necessary so that private capital could be obtained for necessary expansion; but two senators described the proposal as "an unparalleled railroad steal", and the *Arkansas Gazette* declared that no one that was unbought could possibly vote for it.⁴⁶ The measure finally failed of enactment after a bitter controversy in which the *Daily Republican* and most of the Radical legislators supported the railroad interest and were opposed by the Democratic and part of the Republican press, by almost all the Democratic legislators, and by the Republican Governor.⁴⁷

Revulsion Before Redemption

If the experience of *Florida* belongs in a different category from those described under the heading "Orgy and Revulsion",

⁴⁴ Little Rock *Arkansas Daily Gazette*, Sept. 15, 1870.

⁴⁵ See below, Table II. Staples, *op. cit.*, p. 535, reaches the opposite conclusion by citing a figure for August 1872, and adding: "The hard times of 1873 practically stopped railroad construction." But *Poor's Manual* reports an addition of 250 miles in 1873 as well as 192 in 1872. The \$5,350,000 of bonds actually issued were intended to aid in the construction of 420 miles.

⁴⁶ Senate Journal, 1873, p. 583. *Daily Arkansas Gazette*, April 1, 1873.

⁴⁷ *Daily Arkansas Gazette*, March 25, April 2, 3, 4, 9, 18, 27, 29, 1873.

it is not because of the absence of abuses under Radical rule. On the contrary, this is a case in which charges of railroad fraud can be substantiated from the records of the United States Supreme Court.⁴⁸ The most controversial legislation was that passed by the Republican legislature of 1869-70. In spite of a provision in the Reconstruction constitution forbidding taxation for the benefit of a corporation, measures were adopted offering aid by state bonds or endorsement to six railroads at rates from \$10,000 to \$16,000 per mile. Two of these companies, the Florida Central and the Jacksonville, Pensacola and Mobile, were now in the hands of Milton S. Littlefield and George W. Swepson. The properties were ante-bellum lines, which had been taken over by the state because of defaults and then sold on easy terms by the Republican administration. In the second case, payment was made partly by a worthless check and partly in the bonds of the companies themselves, which the promoters had bought at low prices with funds embezzled from a North Carolina railroad.⁴⁹ To these two companies, the Governor promptly issued \$4,000,000 in state bonds. These were sold at about seventy cents to the dollar, but only a small part of the money was actually spent on railroad construction;⁵⁰ and only twenty-nine miles of railroad were brought into operation in Florida during the years from 1868 through 1873.⁵¹

What distinguishes the Florida case from those discussed earlier is the fact that revulsion took place some years before the state was finally "redeemed" in 1877. Most of the bonds provided for by the legislation of 1869-70 were never issued. Early in 1873, an act was passed repealing all measures providing for aid by endorsement or state bonds. Finally, a constitutional amendment was adopted in 1875 forbidding railroad aid by local authorities and either stock subscription or loan

⁴⁸ *R. R. Cos. vs. Schutte*, 103 U. S. 120.

⁴⁹ Some of the bonds were purchased from the "new Republican" commissioners of counties which had extended aid before the war. William Watson Davis, *The Civil War and Reconstruction in Florida* (New York, 1913), p. 658.

⁵⁰ *Ibid.*, p. 662. The author states that only a little more than \$300,000 "was even nominally applied to building and equipping Florida roads."

⁵¹ See Table II below.

of credit by the state.⁵² These actions themselves correspond almost exactly with those taken in Georgia in 1874 and 1877, but the difference is that in Florida they were carried out not by Conservative Democrats but by Radical Republicans.

Financial aid does not comprise the full Florida story. As elsewhere, both Radical and Conservative régimes found ways of aiding railroad construction by the use of other assets. The state had "swamp and overflowed lands" at its disposal and also certain land granted by the federal government in 1850 for internal improvements. The pre-Radical government of 1866 made one railroad land grant and the Radicals added several in 1870. In 1874, after the repeal of the measures for financial aid, the Republicans adopted a general law setting conditions for grants or sales of these resources. This policy was still being actively pursued by the Conservative legislature of 1879.

The case of *North Carolina* resembles that of Florida in two respects. Both states were victimized by the same pair of promoters and in each a sharp reaction against reckless railroad aid took place before Redemption. It differs from Florida in that orgy and revulsion were compressed into shorter compass within the briefer period of Radical rule.

At the close of the war, the state held a two-thirds interest in three North Carolina railroads and securities of several others. The pre-Radical legislature of 1866-67 renewed the ante-bellum measure requiring the state to bear two thirds of the cost of building the Western North Carolina and aided two other railroads by transferring to them securities held by the state in other internal improvement enterprises. It also adopted a number of measures for local aid.

When the Radicals came into power, the pace of railroad subsidy was sharply accelerated. They were so anxious to aid the railroads that the Constitutional Convention of 1868, without waiting for the legislature to meet, itself adopted ordinances offering a \$1,000,000 endorsement to one company, \$1,200,000 in state bonds to a second, and bonds at the rate of \$10,000 a mile to a third. When the General Assembly met on

⁵² Davis, *op. cit.*, mentions neither the repeal nor the amendment.

July 4, it received a message from the Governor urging it to create "a vigorous and well-directed system of internal improvements, from the seashore to the Tennessee line."⁵³ Before it finished its sessions, the number of Radical measures offering state financial aid had risen to sixteen. By the time the next Assembly met in the fall of 1869, bonds had been issued under the new legislation to the amount of \$12,600,000, about half of which had gone to the Western Division of the Western North Carolina.

The legislature of 1869-70, though still Republican, was in a different mood. In February it ordered the companies to return all state bonds that remained unsold. In March it passed a bill repealing all railroad appropriations made by the preceding legislature. The reason for this reversal appears in the report of a Senate investigating committee, received March 13, on what the companies had done with the bonds. On most of the roads they had either been used for ordinary construction purposes or had not yet been sold. More than \$4,000,000 of bonds were returned under the February act. But the major case of the Western Division, whose presidents were successively Mr. Swepson and General Littlefield, was a different story. They had spent almost nothing on building the road, they had raised almost no private subscription, and they had used nearly \$1,000,000 of North Carolina bonds in the Florida speculation which has already been described.⁵⁴

The Conservatives came into power in the elections of the same year. When the new legislature met, the holdover Governor, soon to be impeached, admitted that too many railroad bonds had been placed on the market at one time and that their prices were in general less than twenty-five cents to the dollar.⁵⁵

⁵³ General Assembly, *Executive and Legislative Documents, 1868-69*, "Message of Governor W. W. Holden", p. 9.

⁵⁴ *Ibid.*, Document No. 33, "Report of the Senate Investigation Committee" pp. 1-9. The president of one of the other roads testified that he had sold bonds to General Littlefield at less than market price "in consideration of services rendered in getting the bill through the legislature", pp. 126-127. Other testimony charged that the standard rate for his services in this capacity was 5 or 10 per cent of the bonds issued to the railroad concerned.

⁵⁵ *Ibid.*, 1870-71, "Message of Governor W. W. Holden", p. 5.

The legislature promptly created a commission of its own to make further investigation of the railroad scandals of the Radical period.⁵⁶ The documents of this and later sessions contain a serial story of efforts to obtain restitution from the Swepson-Littlefield group, in one of which the commissioner "followed the defendants through Canada west to Detroit and attached about sixteen hundred tons of iron."⁵⁷ The legislature of 1871-72 attempted to reduce the state's railroad obligations by an act providing for the relinquishment of the state's holdings of stock in companies which would return the state's bonds.

Yet the North Carolina Conservatives, unlike those of Virginia, were by no means disposed to sell at a sacrifice the entire railroad investments of the state. In 1872 the legislature demanded an investigation of the report that the Eastern Division had been sold under judgment for "a very inadequate sum . . . whereby the interests of the state in said road were sacrificed." In 1877 the state agreed to pay an assessment of \$1.50 per share on its stock in the Atlantic and North Carolina and in 1879 to aid another road by purchasing its first mortgage bonds. Of greater interest was the decision of the state in 1875 to purchase for \$850,000 the Western North Carolina, which became a mixed enterprise with three quarters of the stock in the hands of the state and one quarter in other hands. During the years 1877 through 1879, the State Treasurer spent substantial sums in purchasing iron and other materials for the completion of its track.⁵⁸

Local aid to encourage railroad construction, which had been employed both before and during Radical rule, was relied on still more intensively after the Redeemers came into power. Their first legislature, meeting at the time of greatest disillusionment over the ruined credit of the state, enacted no less than

⁵⁶ *Ibid.*, 1871-72, Document No. 11, "Report of the Commission to Investigate Charges of Fraud and Corruption", pp. 1-576.

⁵⁷ *Ibid.*, 1871-72, Document No. 25, p. 6. See also 1870-71, Document No. 33, and 1872-73, Document No. 6.

⁵⁸ *Biennial Report of the Public Treasurer, 1878; ibid., 1880.* Legislation authorized such expenditure up to \$70,000 per year. Actual disbursements for the three-year period ending September 30, 1879 appear to have been about \$120,000.

twenty-one measures providing for local assistance. The policy was maintained throughout the rest of the period under review, with ten such acts adopted in 1879. They contained various provisions attempting to ensure actual construction, providing, for example, that the subscription should not be made until the road was built and "cars running" to a given point. Most measures called for bond issues, in one case limited in amount to ten dollars per inhabitant; but a number permitted subscriptions in "lands, timber, work or money." Under a law of 1873, any county voting aid for the Western Division must levy a special tax payable in "bacon, wheat, beef, pork or corn or such articles as the commissioners may designate."

In North Carolina, as the terms of these acts indicate, the reaction against the excesses of railroad subsidy was a turn, not to the abandonment of public aid, but rather to a set of more modest expedients for stretching the limited resources of an agricultural area for the improvement of its transportation facilities.

In *South Carolina*, state financial aid to railroads was authorized by the pre-Radical legislature of 1866, and the policy was continued and extended during the first years of Republican rule. The principal controversies were not over the amount of aid during Reconstruction, which was relatively small, but over the terms on which the Radical régime disposed of the state's interest in certain railroads. Revulsion occurred long before the return of the Democrats to power.

In 1866, the Columbia and Augusta was voted bond endorsement at the rate of \$6,500 per mile, and the Greenville and Columbia was granted a \$600,000 addition to earlier endorsements. In the first year of Radical rule, the chief claimant for assistance was the Blue Ridge Railroad. In 1868, its president still declared that the Blue Ridge, when completed, would be "the cheapest and most direct line from the West to the Atlantic seaboard."⁵⁹ The Governor's message referred to the road as a "great national highway";⁶⁰ and the legislature voted \$20,000

⁵⁹ "Conditions and prospects of the Blue Ridge Railroad Company in a letter addressed to Governor James L. Orr by J. W. Harrison, president of the Company" (Charleston, 1868).

⁶⁰ *Senate Journal*, Special Session, 1868, pp. 242-248.

in cash for urgent repairs, \$1,000,000 of endorsement of its existing bonds, and \$3,000,000 of the endorsement of new bonds. In 1871 the state agreed to defer its own first lien on the company to permit it to seek first mortgage financing elsewhere, and in the same year the state's stock interest in the road was sold at a dollar a share to a "ring" including officials of the state administration. Because of the depreciation of the state's credit, the endorsed bonds remained unsalable. In 1872, the Radical legislature, over the veto of the Radical Governor, passed a measure offering the company \$1,800,000 in state scrip in exchange for the \$4,000,000 of endorsements. The story of the Greenville and South Carolina, which obtained additional aid in 1869, is a similar one. The state's stock was sold to the "ring" in 1870, under a statute ostensibly referring to other state property; and this road, on consolidation with the Blue Ridge, also obtained postponement of the state's lien. The combined company failed to prosper, and the great project of the Western connection never advanced beyond the pre-war tunnel drilled part way through Stump House Mountain.⁶¹

Reaction followed quickly. As early as November 1869, the Senate approved a report of its committee on railroads declaring itself "unalterably opposed to granting any pecuniary aid or assistance to any railroad scheme at present."⁶² Committees of the two following legislatures criticized the handling of state finances and investigated charges of bribery to secure the passage of railroad measures.⁶³ In January 1873, the legislature, still under Republican control, ratified a constitutional amendment forbidding "the loan of the credit of the state by guarantee, endorsement or otherwise" without the approval of two thirds of the qualified voters. The next legislature began the process of scaling down the debt, much as Conservatives

⁶¹ The Charleston and Savannah, the other road aided in 1869, also secured postponement of the state's lien. Similar postponement had been voted in 1865. Francis Butler Simkins and Robert Hilliard Woody, *South Carolina During Reconstruction* (Chapel Hill, 1932), ch. vii, contains histories of each of the principal railways.

⁶² General Assembly, *Reports and Resolutions*, 1869-70, pp. 1591-1592.

⁶³ *Ibid.*, 1870-71, pp. 814-824; 1871-72, "Report of the Financial Investigating Committee".

were doing in other states at the same time. Meanwhile, with state aid abandoned, the Radical legislatures attempted to meet the continuing demand for encouragement to railroad construction by measures for local assistance similar to those enacted in North Carolina.

When the Conservatives finally came into power in 1877, they continued the policy of local aid and published a "Fraud Report" giving fuller documentation to the scandals of Radical Reconstruction.⁶⁴ But the decisive turn in railroad policy had occurred some years before.

In *Louisiana*, revulsion also took place before the Democrats returned to power. State financial aid was extended for five years during the Radical régime and the policy was revived by the Redeemers, in one controversial case, at the very end of the period.

During the years 1868 through 1872, twelve measures were adopted offering the state's financial aid to railroads. The most common provision was for bond endorsement at the rate of \$12,500 per mile to be covered by a second mortgage. A number of the projects failed to materialize, and the principal aid actually extended was to the New Orleans, Mobile and Texas Railroad, which was to make the much-desired connection with Texas. Acts of 1869 and 1870 provided for endorsements of \$12,500 per mile on its main line and Shreveport branch and for an outright subsidy of \$3,000,000 in state bonds, of which the first installment of \$750,000 was actually paid. An act of 1871 provided for a stock subscription of \$2,500,000. This was intended to be in substitution for the previous obligation to endorse the company's bonds, but the new state bonds were issued and endorsements of \$875,000 remained outstanding.⁶⁵ The company completed some seventy miles of road and then abandoned operations far short of the Texas border.

The railroad measures aroused violent controversy, and accusations of bribery to secure their passage were matched by

⁶⁴ General Assembly, *Reports and Resolutions*, 1877-78, "Fraud Report".

⁶⁵ The figure of \$875,000 is taken from *Statutes*, 1875, No. 86. Governor Kellogg gave it as \$750,000. *Senate Journal*, 1874, pp. 9 *et seq.* Garnie W. McGinty, *Louisiana Redeemed: The Overthrow of Carpetbag Rule, 1876-1880* (New Orleans, 1941), p. 19n, states the total received by the company as \$4,250,000.

accusations of the use of money by competing shipping interests to prevent their adoption. But the alignments did not conform closely to party lines. "The moderate conservative press as well as the radical" supported improvement measures,⁶⁶ and a Republican Governor vetoed several subsidy bills and warned the legislature against "schemes of plunder", particularly those put forward by "well-dressed gentlemen claiming to be representatives of the most respectable of our people."⁶⁷ When railroad aid fell into disrepute, the Republican official organ published a booklet of "Facts and Figures" showing the part played by Democratic legislators in sponsoring and approving the legislation.⁶⁸ During the 1870 debates, a Republican representative accused both parties of "cracking the whip" in favor of subsidy, while Democrats were among those who spoke most eloquently in favor of reaching out to the "Canaan of promise . . . this great state of Texas at our door."⁶⁹

After 1872, the Republican legislatures passed no further acts offering state financial aid. A repeal measure was adopted in 1874. As early as 1870, an amendment had been adopted limiting the public debt of the state to \$25,000,000, and the limit was reduced to \$15,000,000 by action of the 1874 legislature. Meanwhile, the state continued to grant to new railroads free right of way and use of materials in the state lands, and made occasional use of the method of local aid.

Oddly enough, there was a revival of railroad aid when the Redeemers came into power. "Transportation was one of the urgent needs of the state in 1877, and new railroad projects occupied the time of the legislature and the governor."⁷⁰ Two ways-and-materials acts were passed and signed even before the withdrawal of federal troops made their government secure. They repealed one Radical bill for local aid but enacted two of their own. Connection with Texas was again the great object, and in 1878 the legislature voted to lend \$2,000,000 in state

⁶⁶ Ella Lonn, *Reconstruction in Louisiana After 1868* (New York, 1918), p. 36.

⁶⁷ *Senate Journal*, 1871, p. 27.

⁶⁸ O. D. Bragdon, *Facts and Figures or Useful and Important Information for the People of Louisiana* (New Orleans, 1871), pp. 49-50. Cf. Lonn, *op. cit.*, p. 36.

⁶⁹ *House, Debates*, pp. 72, 68-69.

⁷⁰ McGinty, *op. cit.*, p. 21.

bonds to the Texas and Pacific. The Governor considered the bill unconstitutional, since it would carry the state debt beyond the limit set during the Radicals' régime. He nevertheless approved it, in "deference to the large majority" it had received in both houses and in order to permit a court test, and then refused to sign the bonds themselves.⁷¹ Thus the account of railroad aid in Louisiana ends with a controversy between a Democratic Governor and legislature reminiscent of a number of disputes between their Republican counterparts in this and other states earlier in the period.

In each of the eight states in which Radical régimes launched extensive programs of railroad aid, a revulsion against this policy took place in the early seventies. Perhaps surprisingly, the principal turn occurred in every instance before the panic of 1873. In four of the cases, the change of policy coincided with the return of the Democrats to power. Yet the experience of the other four states suggests that Redemption was not necessary to bring about this particular result. In these cases, it was the Republicans who made the change, either because of their own disillusionment with chicanery and failure or because the depreciation of state credit made further aid impossible.

It remains to examine the relationship between railroad construction and the policies which have been described. Table II gives the additions to railroad mileage in each of the states during the years 1865 through 1879. Like Table I, it is arranged in order to permit comparison between the Radical and other régimes. A first impression conveyed by the figures is that railroad building progressed more rapidly under the Radicals than under the Conservatives. Construction in Arkansas and Alabama was particularly noteworthy, and presumably Georgia's peak figure in 1871 owes more to the Republican largesse of the preceding year than to the restraint of the Redeemer legislature that met in the fall of 1871. The one major exception is Texas. But in that case the bonds voted during the Republican era never reached the railroads, and the effective aid was in land,

⁷¹ *House Journal*, 1878, Extra Session, p. 18. Hilda M. McDaniel, "Francis Tillou Nicholls and the End of Reconstruction", *Louisiana Historical Quarterly*, vol. XXXII, pp. 466-468.

TABLE II
RAILROAD CONSTRUCTION IN THE RECONSTRUCTION SOUTH
1866-1879

La.	S. C.	Fla.	Miss.	Ark.	Ala.	Tex.	Ga.	N. C.	Va.	Tenn.	Total
<i>Mileage in operation Dec. 31, 1865</i>											
335	1007	416	898	38	805	465	1420	984	1407	1296	9071
<i>Net addition to mileage in operation during year</i>											
1866	0	0	0	0	34	6	82	58	9	0	202
1867	0	0	21	0	0	12	42	46	0	22	220
1868	0	69	0	0	48	2	0	27	55	0	78
1869	40	25	9	92	42	63	70	77	33	11	477
1870	75	38	0	0	128	241	128	193	48	0	892
1871	16	62	20	0	2	339	154	263	12	4	880
1872	0	89	0	0	192	132	213	52	60	49	785
1873	0	30	0	0	250	94	500	100	25	36	1137
1874	0	0	18	28	0	60	72	0	68	70	343
1875	0	15	0	0	40	18	35	4	13	0	125
1876	0	18	1	66	27	0	346	42	43	10	571
1877	0	53	0	4	0	1	179	33	27	17	325
1878	0	13	2	38	16	31	218	76	9	11	423
1879	78	5	32	14	25	0	163	45	11	26	435
<i>Total net addition to mileage in operation, 1866-1879</i>											
209	417	103	242	770	1027	2126	1040	462	265	405	7066
<i>Mileage in operation, Dec. 31, 1879</i>											
544	1424	519	1140	808	1832	2591	2460	1446	1672	1701	16137

Source:—*Poor's Railroad Manual*, 1872-73, p. xxx; 1880, p. v.

As in Table I, the area between the heavy lines represents the period of Radical Reconstruction, and the area below the lower heavy line represents the period after the Conservatives had returned to power.

with which the Conservatives were more liberal than the Radicals. The boom in railroad building in 1873 coincided with the twenty-seven land grants voted by the first Redeemers' legislature. Thus Texas experience confirms rather than challenges the conclusion that, on the whole, railroad building during the period tended to flourish when and where public aid was being extended. Florida stands out, to be sure, as a state that acquired railroad debt and little railroad mileage. On the other hand, Mississippi acquired no debt and little mileage; and Virginia, which gave no state aid, shows the smallest percentage increase.⁷² In Louisiana and South Carolina, construction

⁷² John F. Stover, *The Railroads of the South, 1865-1900* (Chapel Hill, 1955), p. 61, notes that these three states "proportionately trailed all the rest of the states in the Union in new trackage for the decade" 1865-1875. With respect to the two Carolinas, Georgia and Alabama, the author declares that there was no "sig-

slackened or ceased when the Radicals curtailed their programs of state assistance. Retrenchment did not build railroads. Whatever the leakages of public funds, and in spite of the fact that some roads were built without government assistance, there was—as would be expected in a developing region—a clear and substantial correlation between railroad aid and railroad construction.

It would, however, be a mistake to attribute these differences to political causes alone. Texas and Arkansas lay across the threshold of promising transcontinental routes. On the other hand, Virginia, with the largest mileage when the period opened, probably had the least need for new construction. Moreover, one striking reflection of economic conditions appears on the face of the figures. More than half of all the new building is concentrated in 1870 and the three following years. After 1873 it falls off abruptly and only in Texas is there substantial recovery before the end of the decade. Thus the peak of construction coincided with the boom years preceding the panic of 1873, and stagnation with the depression that followed. Since this was also true for the United States as a whole, though the contrasts were somewhat less sharp,⁷³ it would appear that one major explanation for the differences between parts of the period lies in the alternations of general economic prosperity and depression.

For the nation, the period taken as a whole, in spite of the setback of the seventies, was one of rapid railroad expansion. As would be expected, percentage increases in mileage were spectacular west of the Mississippi and moderate on the Atlantic seaboard. But the eleven Reconstruction states showed a rate of gain only slightly more than that of the New England and Middle Atlantic regions and considerably less than that of the long-established area of the Old Northwest. The share of the

nificant connection between the presence of extraordinarily active carpetbaggers in these states and their relatively rapid railroad construction" (p. 62).

⁷³ United States mileage doubled from 35,000 in 1865 to 70,000 in 1873 and added about 16,000 more miles by 1879. A little more than 23,000 miles of the increase was made between December 31, 1869 and December 31, 1873.

Reconstruction South in the total national mileage dropped from 26 per cent in 1865 to 19 per cent in 1879.⁷⁴ The gain in these states of some 7,000 miles—nearly 5,000 east of Texas—represented a substantial achievement, and it did much to transform the short and often disconnected lines of 1865 into a relatively complete regional system.⁷⁵ Yet the transportation network of the South was less developed than that of the North at the time of the Civil War, and in the fifteen years that followed the gap widened rather than closed.

A consciousness of this retardation played a significant part in shaping the Southern attitudes on railroad questions. One illustration is the series of requests and petitions throughout the period for federal government aid for internal improvements in the South. The Georgia Constitutional Convention of 1868 expressed the opinion that it would be "eminently wise and liberal in the Government of the United States to aid the impoverished people of the South in restoring their material prosperity". State legislatures, in memorializing Congress for support of particular railroads, often used the argument that they would be important links in a "great chain" that would connect the Atlantic with the Pacific;⁷⁶ and the movement for federal aid reached its culmination in the well-organized campaign of propaganda waged from 1874 on to secure a federal loan for the Texas and Pacific Railroad, which was supported by almost every Southern legislature.⁷⁷ The *Clarion* of Jackson, Mississippi declared that such appeals to the federal government were "bad in policy . . . wrong in principle . . . [and] contrary to the traditional creed of the Democratic party from its earliest organization to the present time", yet managed—by a turn

⁷⁴ Stover, *op. cit.*, pp. 59-61, makes a similar comparison, also on the basis of the Poor figures, for a group of ten southeastern states for the decade December 31, 1865 to December 31, 1875. Their gain was 46 per cent while that of the United States was 113 per cent. His group differs from that discussed in the present article by including Kentucky and excluding Arkansas and Texas.

⁷⁵ As may be seen from the admirable map facing p. 236 of E. Merle Coulter, *The South During Reconstruction, 1865-1877*, vol. VIII of *A History of the South* (Baton Rouge, 1947).

⁷⁶ Georgia, March 6, 1868. Alabama, Dec. 28, 1868, Dec. 7, 1871.

⁷⁷ Woodward, *Reunion and Reaction*, ch. iv. But the Florida legislature on March 8, 1877 opposed the measure as "unjust to this state".

which Mr. Dooley would have enjoyed recording—to reach the conclusion that the national government should issue the Texas and Pacific bonds.⁷⁸

A similar attitude appeared to govern Southern policy with respect to railroad regulation. In the Middle West this was the heyday of granger legislation, and the National Grange itself enlisted a considerable membership in the South. Commenting in 1873 on its appearance in Alabama, a Memphis editor cautioned against doing anything that might frighten the possible investor. "Foreign capital is proverbially timid. . . . We have far too few railroads and we are looking anxiously to the day that shall find more built."⁷⁹ Under these conditions neither Radical nor Conservative legislators were prepared to go very far in regulating railroad rates and practices. The South remained a region eager for more railroads and desperately short of the capital needed to build them.

The lack of local capital, and the expedients to which it gave rise, are illustrated in an "Address to the People" of Lee and Tallapoosa counties by the promoter of an Alabama company. It was, he said, an "admitted principle amongst capitalists" that, once railroad companies had prepared the roadbed with their own resources, they "were entitled to a sufficient credit to purchase the rails and equipment for the road." It was to make sure of obtaining these funds that the state of Alabama had agreed to endorse the bonds of the railroads. But this was not enough. "In the view of the wreck of private fortune, resulting from the war, it became evident to the Legislature, as was palpable to every reflecting man outside, that individual subscription and isolated effort were unequal" even to the task of grading. The plan of local government subscriptions had therefore been adopted as "the most equitable, most easily borne and most effectual". Accordingly the promoter asked \$365,000 in local aid to add to the state's endorsement of \$640,000. There remained in his calculation as the contribution of local individual investment only "work done"—\$100,000—and "good and avail-

⁷⁸ Jackson *Weekly Clarion*, Nov. 17, 1875.

⁷⁹ Mobile *Register*, Aug. 21, 1873. See also Nashville *Union and American*, March 5, 1875.

able private subscriptions'—\$35,000—the two making not much more than 10 per cent of the whole.⁸⁰

It is easy to recognize in expedients like these, as in North Carolina's county tax in beef and bacon, the determination to get railroads somehow in spite of inadequate means. Private subscriptions for developmental railroads in an impoverished region could not easily be secured. When they did come forward it was often in response to civic and patriotic rather than purely pecuniary appeals. An advertisement asking subscriptions to the Tennessee and Pacific challenged the reader to "Bear an Honorable part in this Great State and National Road".⁸¹ Under such conditions, the policy of public assistance had arisen at times when, as one man put it for Texas, "there was not a single corporation in the state that had money enough to buy a single member of the legislature even at a very small price."⁸² Even after corruption became possible, and in some cases prevalent, much of the same civic desire for improvements continued to survive. A Democratic newspaper made the following comment on a Radical measure for railroad aid: "The Legislature may have had in view the stealings they could make out of the scheme; but we can stand a pretty big 'steal' if we can get railroads in the State."⁸³

Nor was all this confined to the South. In the early part of the period, the federal government was giving massive aid to the transcontinental railroads, and public assistance by state and more often by local governments was still accepted policy in much of the country. The programs were inspired by varying combinations of public spirit and private interest. Bribery was not unknown in Northern and Western legislatures or in

⁸⁰ Samuel G. Jones, "An Address to the People of Lee and Tallapoosa on the Subject of County Subscriptions to the Savannah and Memphis Railroad" (Montgomery, 1869), in the collection of the Tennessee State Library and Archives, Nashville. For other cases with similar figures, see *Nashville Press and Times*, March 22, 1869; *Nashville Union and American*, Feb. 11, 1870.

⁸¹ *Nashville Daily Press and Times*, Feb. 21, 1867.

⁸² S. S. McKay, ed., *Debates in the Constitutional Convention of 1875* (Austin, 1930), p. 404.

⁸³ *Fayette Chronicle*, quoted in *Jackson Daily Mississippi Pilot*, June 3, 1871.

local railroad elections. In the *Credit Mobilier*, members of Congress and other national figures shared in the insiders' quick profits from the Union Pacific subsidy; and Southern editors adopted the phrase to warn their readers against "An Arkansas" or "An Alabama *Credit Mobilier*".⁸⁴

Ambitious programs—if not orgies—of railroad aid had been and continued to be followed by revulsions against the policy. Some of the older states and cities had long since abandoned the practice, either because aid was no longer needed or because their programs had foundered in the depressions of the thirties and the fifties. New York preceded Tennessee and the Carolinas in their shift from state to local aid. Federal grants to the transcontinental railroads ended in 1871, and Southern advocates for the Texas and Pacific bond issue found themselves too late for success. There were striking similarities between the regions in the reaction to the depression that followed the panic of 1873. Within four years, constitutional provisions against state aid were adopted by Missouri, Nebraska and Colorado in the West as well as by Arkansas, Alabama, Florida and Texas in the South.⁸⁵

Public aid to railroads in the Reconstruction South should be considered in the perspective of this national experience. There is no doubt that the Radical régimes were unusually subject to corruption and extravagance, and some of their frauds might well have seemed unexcelled in their "enormity . . . by any thing that ever disgraced the pages of American History."⁸⁶ Yet neither the abuses nor the accomplishments of Southern railroad aid during Reconstruction were wholly unlike those in other parts of the country.⁸⁷ On the other hand, the

⁸⁴ *Little Rock Daily Arkansas Gazette*, Feb. 8, 1873. *Montgomery Alabama State Journal*, April 22, 1873.

⁸⁵ Goodrich, "Revulsion", *loc. cit.*, especially table on pp. 158-159. Within the same period, New York adopted a constitutional prohibition against aid by local authorities.

⁸⁶ *The Evidence taken by the Joint Committee of the [Georgia] Legislature . . .* p. iii, *supra* note 13.

⁸⁷ One Southern historian has even declared that "The methods employed in railroad building in Alabama were neither better nor worse than those generally practiced throughout the country." Moore, *loc. cit.*, p. 440.

revulsion of Southern Conservatives against public assistance in the seventies was to a large degree shared by legislatures in the North and by those still controlled by Radicals in the South. It is of course possible that under other leadership the rest of the Southern states, like Virginia, might have refrained from granting aid in the post-war decade. If they had done so, they would have secured fewer miles of railroad. But the region had a strong ante-bellum tradition of public assistance,⁸⁸ and this was revived in a number of states before the Radicals came into power. Even during Republican rule, Democratic legislators and newspapers often supported, and occasionally initiated, measures for railroad aid. The relative poverty of the region tended to maintain the strength of the popular demand for public assistance in the improvement of communications. It would have been difficult for any governments in power in most of the states to have resisted this demand in the late sixties and still more difficult to have brought their programs of construction unscathed through the depression of the seventies. It would, moreover, have been contrary to the experience of other regions if there had not been some examples of venality and more of miscalculation as public authorities rendered assistance in the development of transportation facilities before they could be provided by private enterprise alone.

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⁸⁸ Milton S. Heath, "Public Railroad Construction and the Development of Private Enterprise in the South before 1861", *Journal of Economic History*, vol. X (1950), Supplement, pp. 40-53.

Karl from Carter

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*American Development Policy:
The Case of Internal Improvements**

THE subject I should like to discuss grows directly out of the theme of the meetings as a whole. They have been concerned with the American West as an Underdeveloped Region, and the title was intended to suggest the analogy between the United States of an earlier period and the so-called underdeveloped nations of the present day. To many it would suggest a contrast in policy. These other nations are now in many cases striving to achieve economic development by national planning and deliberate measures of governmental policy. On the other hand the United States achieved its massive economic development without over-all economic planning, without five-year plans or explicit national targets of input and output, and—it is sometimes believed—without the adoption of policies deliberately intended to promote development.

Yet the contrast is not as complete as this statement would suggest. It is not quite true that the United States just "grew" like Topsy or that the American empire of the West was settled and developed in a fit of absence of mind. Throughout our history statesmen have been concerned with devising measures to promote economic growth,

* Presidential address, Economic History Association, September 8, 1956.

The author's study has been carried on under the auspices of the Council for Research in the Social Sciences of Columbia University. The paper draws on the materials of articles previously published: in *JOURNAL OF ECONOMIC HISTORY*, "The Revulsion Against Internal Improvements," X (November, 1950), 145-169; (with Harvey H. Segal) "Baltimore's Aid to Railroads: A Study in the Municipal Planning of Internal Improvements," XII (Winter, 1953), 2-35; in the *Political Science Quarterly*, "National Planning of Internal Improvements," XLIII (March, 1948), 15-44; "The Virginia System of Mixed Enterprise: A Study of State Planning of Internal Improvements," XLIV (September, 1949), 355-387; "Local Government Planning of Internal Improvements," XLVI (September, 1951), 411-445; "Public Aid to Railroads in the Reconstruction South," LI (September, 1956), 407-442; in the *Proceedings of the American Philosophical Society*, XCII (October 25, 1948), 305-309.

and individuals and corporations have often come to governmental agencies with demands for encouragement and assistance. Many of the great debates on political issues have turned on what would today be described as development policy. Hamilton's *Report on Manufactures* is an obvious case in point. Its well-remembered argument for protection and its almost-forgotten plea for encouraging the importation of technical improvements from abroad are both commonly duplicated in the underdeveloped nations of today. Hamilton's plea for the Funding System, that it would in effect provide a favorable climate for foreign investment, reminds us of what is so commonly urged on capital-hungry nations today. It is perhaps more difficult to disentangle explicit developmental considerations in the bitter nineteenth-century debates over monetary and banking issues. In national policy there was nothing to suggest comparison with the Development Banks, *Corporaciones de Fomento*, and National Investment Funds that play so large a role in the current plans of the less developed countries, though on the state level Milton Heath's reappraisal of the Central Bank of Georgia and Carter Golembe's study of early Middle-Western banking may suggest that we have underestimated the influence of conscious development policy.¹ With respect to land, the great decisions down through the nineteenth century were concerned with the conditions under which the national domain was to be turned over to individuals and corporations. This was the main issue of land policy, not land use, not conservation, not "land reform" in the explosive twentieth-century sense—unless you choose to regard the emancipation of the slaves as the most completely unplanned land reform in history! Yet the public domain was itself so magnificent that the manner of its disposition could not fail to be a major factor in influencing development, and explicit considerations of the rapidity and the desirable type of settlement dominated the debates from the Ordinance of 1787 to the Homestead Act, including expressions of deliberate preference for a particular type of social structure, that represented by the independent small farmer.

In an examination of American development policy, I believe that particular interest attaches to the case of internal improvements. Here the aim was directly and unmistakably developmental and the amount and variety of governmental activity quite extraordinary. Recent

¹ Milton S. Heath, *Constructive Liberalism: The Role of the State in Economic Development in Georgia to 1860* (Cambridge: Harvard University Press, 1954), ch. 9. Carter H. Golembe, "State Banks and the Economic Development of the West, 1830-1844," unpublished dissertation, Columbia University, 1952.

studies have increased our knowledge of the number of cases, and they have shown that the volume of government investment was greater than had been believed, both in absolute figures and in relation to total canal and railroad investment, to total national investment, and to the total budgets of governmental authorities.² Yet, half a century ago, the first modern student of the subject, Guy Stevens Callender, was able to point out that our supposedly individualistic America had had in the early and middle nineteenth century a certain world prominence as an example of the extension of the activity of the state into industry. He asked what conditions had given "rise to this remarkable movement towards State enterprise here in America, where of all places in the world"—he said—"we should least expect to find it."³

This movement, however, appears less paradoxical if it is examined in the light of the economics of development. The conspicuous contrast was with England. English canals and railways were built entirely by private enterprise. American canals and railways were for the most part products of governmental or mixed enterprise or the recipients of government aid. But consider the difference in economic circumstance. A railway between London and Liverpool ran through settled country and connected established centers of trade. It could expect substantial traffic as soon as completed. On the other hand, a route across the Appalachians to the largely unsettled West or a railroad running from Chicago west across almost empty plains could hardly be profitable until settlement took place along its route and at its terminus. Jerome Cranmer uses the words "exploitative" and "developmental" for these two types of enterprise.⁴ Exploitative canals or

² Professor Lively is right in pointing out that too little has been done with the comparison with private investment. Robert A. Lively, "The American System: A Review Article," *Business History Review*, XXIX (March 1955), 81-96. He cites Heath's figures on the ante-bellum South as a notable exception. See Milton S. Heath, "Public Railroad Construction and the Development of Private Enterprise in the South before 1861," *JOURNAL OF ECONOMIC HISTORY*, X (Supplement, 1950), 40-53.

An approach to the comparison with total national investment has been made in Harvey H. Segal, "Canal Cycles, 1834-1861: Public Construction Experience in New York, Pennsylvania and Ohio" (unpublished dissertation, Columbia University, 1956), which relates the canal expenditures to several estimates of capital formation and construction.

Heath, *Constructive Liberalism*, ch. 15, relates improvement expenditures to the state budget of Georgia; and Goodrich and Segal, "Baltimore's Aid to Railroads," relate them to the city budget.

³ Guy Stevens Callender, "The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations," *Quarterly Journal of Economics*, XVII (November, 1902), 111-162. Reprinted in Joseph T. Lambie and Richard V. Clemence (eds.), *Economic Change in America* (Harrisburg: The Stackpole Co., 1954), pp. 552-559. The quotation is from p. 524.

⁴ H. Jerome Cranmer, "The New Jersey Canals: A Study of the Role of Government in Economic Development," unpublished dissertation, Columbia University, 1955.

railroads were built to take advantage of an existing opportunity. With them early returns could be expected and private enterprise could operate without subsidy. On the other hand the developmental undertaking depended for most of its traffic on the settlement that its own construction was to bring about. But such development could not in the nature of the case be immediate, and substantial early returns on the investment were hardly possible. The ultimate benefits might be very large but they were certain to be deferred and likely to be widely diffused. Such undertakings, therefore, could hardly be carried to success by unaided private means. They required either government enterprise, subsidy to private enterprise, or else extraordinary illusions on the part of the original investors.⁵

A survey of the history of railroad building around the world illustrates this distinction and tends to confirm these observations. Few countries copied the British example. Certainly it was seldom followed where the problem was one of opening up unsettled areas or of achieving economic development in a preindustrial region. The railroads of Australia and New Zealand are state enterprises. Throughout most of the rest of the world the greater part of the railroad network has been built either on government account or with different forms of government aid or subsidy. One variant of the latter, government guarantee of return on the private investment, which Daniel Thorner has described as "Private Enterprise at Public Risk," was employed in India and Brazil as well as in France.⁶ The purely private enterprises have been typically those that exploited obvious economic opportunities—to carry the produce of the pampas to Buenos Aires, or sugar from Cuban fields to the ports, or coffee to Santos. In Bolivia, for example, the pattern is precisely illustrated. The two railroads that take the tin from the great mines to the coast were built and are still owned and operated by private British interests, while the others are entirely governmental.

Nineteenth-century America displayed a similar pattern. There were certain railroad companies, particularly on the Atlantic seaboard, exploiting the opportunities of trade between established centers, which were profitable from the beginning and neither asked nor needed government aid. For New England, Kirkland described these as

⁵ This last alternative is noted in Frank W. Fetter, "History of Public Debt in Latin America," *American Economic Review*, XXXVII (May, 1947), 147-148.

⁶ Daniel Thorner, *Investment in Empire: British Railway and Steam Shipping Enterprise in India, 1825-1940* (Philadelphia: University of Pennsylvania Press, 1950), ch. 7. Julian Smith Duncan, *Public and Private Operation of Railways in Brazil* (New York: Columbia University Press, 1932).

"dowager railroads" and cited the Boston and Lowell as one of the examples.⁷ The Camden and Amboy was a similar case, and its partner the Delaware and Hudson might be described as a dowager canal—both exploiting the trade between New York and Philadelphia. But these were exceptions. Most of the canals and early railroads depended for their traffic on the growth of the areas into which they were extended. They were developmental in character and, like developmental undertakings almost everywhere, they were in considerable part built with government funds and credit.

The same distinction supplies one important clue to the understanding of the complex and apparently irregular timing of internal improvements activity. In this there were, to be sure, many cross currents. Reversals of state policy sometimes resulted, though less often than is sometimes believed, when power shifted from Whigs to Democrats, or vice versa, or when "Redemption" ended Reconstruction regimes in the South. More often improvements policy varied with the phase of the business cycle. Ambitious programs were abandoned in depression years, and failures were followed by "revulsion" and constitutional prohibitions. The collapse of the Illinois railroad program gave a lesson of caution to neighboring Iowa. On the other hand, New York's success with the Erie Canal had earlier inspired imitation up and down the entire Atlantic seaboard. Aid was given by local authorities, in varying amounts, in every state that formed part of the Union before 1890;⁸ and in some fourteen states it continued to be given after the abandonment of state programs.⁹ It may be said that governmental participation at one level or another persisted in most sections of the country as long as "developmental" conditions continued to exist, and perhaps in some cases beyond that point.

In general the relationship between developmental conditions and the various waves of government activity can be readily traced. For the Federal Government the building of the National Road and the formulation of the comprehensive internal improvement plans of Gallatin and Calhoun took place when the geographical obstacle to development was the Appalachian Mountains; and the major extension of

⁷ Edward C. Kirkland, *Men, Cities and Transportation: A Study in New England History, 1820-1900* (Cambridge: Harvard University Press, 1948).

⁸ In Colorado only during the territorial period.

⁹ States of which this was substantially true include Georgia, Illinois, Indiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New York, North Carolina, South Carolina, Tennessee, and Virginia. Local aid was also given in states that had not had state programs. On the other hand, Alabama, Arkansas, Colorado, Ohio, and Pennsylvania adopted constitutional prohibitions against local aid at the same time as against state aid.

actual aid to the transcontinental railroads took place when the obstacle was that of the Rocky Mountains and the Great Plains. Government activity in internal improvements was in large measure a frontier phenomenon, a great instance of frontier collectivism. In any given area it tended to diminish and die out as settlement and traffic became more dense and also as the business corporations themselves grew in strength and in the ability to raise large sums of money and commit them for long periods. As early as the 1850's, the *American Railroad Journal* was emphasizing this distinction. "In the infancy of our railroads," it said, "it was frequently necessary for the community to aid them in its collective capacity." Such a need continued in the South and in the West, declared the *Journal*, but in the North and East there was "abundant capital . . . for all legitimate enterprise," and public aid was no longer required.¹⁰ To this doctrine it was not a real exception that Maine should vie with Oregon in furnishing some of the very latest cases of local government aid, since eastern Maine remained no less of a frontier than the Far West. Somewhat more surprising were the large amounts of money that Massachusetts poured out after the Civil War for the construction of the Hoosac Tunnel route and the extraordinary outpouring of municipal bonds for the building of the New York Midland. Yet in each case this represented an improvement for the less developed part of a highly developed state; and it may be added that in the case of the latter a new bankruptcy and the failure of plans for reorganization, occurring since the publication of Harry Pierce's book, tend to confirm his account of the selection of the route!¹¹

If, then, we think of nineteenth-century America as a country in process of development, the experience of other countries in a similar situation suggests that extensive government investment in the means of transportation was not paradoxical but something entirely to be expected. What would really have been surprising would have been the spectacle of communities eager for rapid development but waiting patiently for their canals and railroads until the way was clear for prudent private investment to go forward without assistance. Yet neither an analysis of the economics of development nor analogy from foreign experience would account for all the peculiar forms and shapes taken by the American movement for internal improvements. Among its characteristics were three general shortcomings that would at once

¹⁰ *American Railroad Journal*, XXVII (1854), 449; XXVIII (1855), 281.

¹¹ Harry H. Pierce, *Railroads of New York: A Study of Government Aid, 1826-1875* (Cambridge: Harvard University Press, 1953).

be obvious to anyone attempting to advise the underdeveloped countries of today on the organization of their programs of public improvement.

The first of these deficiencies was the failure to develop a workable economic criterion for the selection of projects for government support. Perhaps the sheer abundance of developmental opportunities made the question seem less crucial than it is for countries with more limited resources. There was, to be sure, no lack of statements of the reasons why short-run return on the investment itself was not a sufficient test. In addition to arguments based on the political advantages of closer connection between sections, which would strike a familiar note in many underdeveloped countries, expenditure on developmental transportation was defended on economic grounds. These statements called attention, often in thoroughly sophisticated terms, to its various benefits, not all of which could be appropriated by the collection of tolls or fares and freight charges. These included gains to the government itself in the enlargement of its tax base and the enhanced value of its lands, the diffused gains to the population at large in opportunities for income and employment, and in general the external economies provided to business as a whole by the provision of adequate transportation. But how should these broader and vaguer benefits be balanced against the expected costs? How were expenditures on unnecessary projects to be prevented? If prospective profit was not to be the conclusive test, how much immediate loss—and under what conditions—should the public authorities be prepared to incur in order to obtain these general advantages? On these questions I have so far found no serious contemporary statement.

A second shortcoming was the failure to develop and apply criteria for the assignment of projects to the different levels of government authority—federal, state, and local. Gallatin's admirable attempt to define a national project had little or no practical effect, and his program of federal action foundered largely on unresolved conflicts of state and regional interests. Within the several states, the problem of competing local interests was hardly less acute. Virginia attempted to operate on the theory of state support on equal terms to all local projects meeting certain specified conditions. In Pennsylvania and elsewhere there were bitter conflicts between proponents of a main or trunk line development and the advocates of aid to miscellaneous minor projects. Ante-bellum Georgia offered the unique example of confining its contribution almost entirely to a single strategically located state rail-

road, leaving connecting lines to local aid and private enterprise.¹² The extensive resort to the agencies of local government, the several thousand cases of railroad subscriptions and subsidies on the part of cities, counties, towns, and villages, can hardly be explained as the result of the application of any reasoned criteria as to which authorities were best fitted to make the necessary decisions. Aside from the early projects of the ambitious eastern seaports, each eager to carve out its part of the western empire, the recourse to local aid was in most cases a final expedient adopted after state aid had been prohibited, but when public demand for improvements, skillfully abetted by the companies themselves, still remained irrepressible. The extreme example of this type of causation is that of the citizenry of Cincinnati who, discovering that prohibition against *aiding* a railroad did not prevent them from *building* one, proceeded to construct the Cincinnati Southern as a successful municipal enterprise.

The third shortcoming lay in the nature of the government agencies themselves. They were sometimes subject to corruption, the danger of which increased as the railroad corporations graduated from the stage of infant enterprises. Moreover, they were in most cases poorly equipped to discharge the responsibilities of planning programs of internal improvement and of operating the undertakings effectively or of protecting the public interest in those that received public support. There were, to be sure, a considerable number of notable exceptions. The Gallatin Plan, prepared by the Secretary of the Treasury and a few clerks, would stand comparison with any twentieth-century plan for the development of a nation's communications. The present location of the trunk line railroads is eloquent testimony to its geographic foresight. New York's state enterprise, the Erie Canal, was both a financial and a technological success. The engineers who learned the job on the Erie carried their technique to other undertakings. The United States Army Engineers gave technical assistance to a large number of railroads;¹³ and, in its early days, the Virginia Board of Public Works furnished engineering services to local enterprises. Georgia's state railroad, the Western and Atlantic, not only earned a good return on its investment but also provided for the other railroads of the state their indispensable connection with the West. Baltimore's City Council made serious and persistent efforts to guard its railroad investments. Cincinnati's success

¹² Heath, *Constructive Liberalism*, ch. 11.

¹³ Forest G. Hill, "Government Engineering Aid to Railroads before the Civil War," *JOURNAL OF ECONOMIC HISTORY*, XI (Summer, 1951), 235-246.

has already been cited. Other examples could of course be named. Yet it can hardly be denied that in general the governments of the time, with small budgets and small staffs, with little expert personnel and without civil service traditions, lacked what would now be regarded as the essential means for the effective supervision of improvement programs. The deficiency became more glaring as public aid came more and more to rest on the decisions of local authorities. Little planning could be expected of village or township boards deciding whether to recommend "whacking up" the contribution demanded by the railroad agent, or to risk letting the road go through the neighboring crossroads instead. Their chance to protect the public interest consisted mainly in making sure that the company really ran cars through their village in exchange for the contribution.

To contemporaries the lightness or feebleness of the supervisory hand of government did not always appear a disadvantage. Shortly after the Federal Government had begun the practice of making land grants to railroads, a British official, reporting enthusiastically to the Privy Council's Committee for Trade and Foreign Plantations, suggested its adoption in the British colonies precisely on the ground that it gave needed assistance without imposing the penalty of interference with management. The *American Railroad Journal* often advocated public aid but consistently argued that governments should not take a direct part in improvement enterprises. As president of the Baltimore and Ohio Railroad, John W. Garrett protested indignantly against what he regarded as interference by the public directors at a time when a substantial majority of the company's stock belonged to the State of Maryland and the City of Baltimore. If these attitudes are to be discounted as *ex parte*, there is evidence that legislators often shared these views and argued for them on grounds of public interest.

Virginia's system of mixed enterprise was explicitly based on the principle that the purpose of the state subscription was to draw out individual wealth for purposes of public improvement, and that the Commonwealth's control over the enterprises should extend no further than the correction of obvious abuses. With this in view, the state's participation in stock and voting rights was first limited to two fifths of the whole. When it appeared necessary to raise the state contribution to three fifths, the voting power of the state proxy in the stockholders' meeting was deliberately limited to two fifths, in accordance with the philosophy of the original law. A similar attitude was illustrated in the local aid statutes of a number of states that provided that the shares of

stock subscribed to by the local governments should be distributed pro rata to the individual taxpayers. It was believed inexpedient to leave the administration of this stock in the hands of the local authorities, and that its distribution to private individuals would stimulate them to a vigilant supervision of the conduct of the work.¹⁴

As long as the common purpose was that of getting the much-desired improvement made, those who took part in the movement were not very much concerned if in many cases the method employed came close to being public enterprise under private management. To the Missourians on whom James N. Primm reports, as to many other Americans of the period, "The details of ownership and control were secondary . . . to the principal objective, the establishment of a comprehensive system of public improvement in the interests of the general welfare."¹⁵

Popular interest in this objective was very widely diffused. This was conspicuous in the support given to the many state programs and perhaps even more clearly in the willingness of the citizens to vote to assume local taxes in so many local elections. In these campaigns the appeals were typically couched in terms of public spirit and local patriotism. "Call meetings," urged a Mississippi paper. "Vote county, city, corporation and individual aid in bonds, money and land." A newspaper from a neighboring state added its plea: "Let the Mississippians come up strong to the work" on election day.¹⁶ Projects were planned and campaigns organized in state or regional railroad conventions and in innumerable local railroad meetings. Boards of trade and chambers of commerce took leading parts in the movement. In a number of cases, after local government aid had been made illegal, unofficial bodies like these raised subscriptions in the same spirit and by appeal to the same arguments. It was they who took over the function of negotiating with the railroads over the location of their lines, shops, or roundhouses.

Throughout the developmental period individual citizens donated land for railroad rights of way, permitted the use of stone and timber from their lands, and supplied the labor of their slaves or their teams—occasionally even their own labor—to what was considered the common cause. Often, though not always, these services were paid for in shares of the stock of the enterprise. Appeals for cash subscriptions to canal or

¹⁴ An alternative explanation, that of evading a constitutional prohibition against government stock ownership, has been suggested for the Iowa statute. See Earl S. Beard, "Local Aid to Railroads in Iowa," *Iowa Journal of History*, L (1952), 1-34.

¹⁵ James Neal Primm, *Economic Policy in the Development of a Western State: Missouri, 1820-1860* (Cambridge: Harvard University Press, 1954), p. 113.

¹⁶ Jackson *Mississippi Daily Pilot*, May 15, 1871. *Mobile Register*, October 24, 1871.

railroad stock were frequently based on grounds of civic duty as well as on prospects of financial return. Citizens were urged to bear an honorable part in what was often described as a great state or national work. In 1857 the president of a North Carolina railroad reproved his private stockholders for clamoring for dividends as if they had invested as capitalists rather than as citizens eager to promote the development of their state. As late as 1870, the editor of a Nashville paper declared that "no individual in this country outside of the Lunatic Asylum ever subscribed to the capital stock of a railroad expecting to receive a profit on the investment in the way of dividends." This is of course not to be taken as literal truth. By the time the editor wrote, many investors had received good returns on railroad stock, and no doubt others were bitterly disappointed that they had not done so. But it remains true that for many private subscribers, as well as for those who urged government action, "the object," as he said, or at least one great object, "was to develop the country, enhance the value of their lands, and create cheap transportation of their produce."¹⁷

I am sure that no one would urge the underdeveloped countries of today to pattern their programs of transportation development upon the very disorderly history of American action in the field. One may hope that they will succeed in avoiding the three shortcomings I have noted, though they will not find it easy to do so. Most students believe that they will need to use the powers and the borrowing power of government even more than in the American case. But they would be fortunate indeed if they found their citizens as ready to support the undertakings with their own savings and the forced savings of taxation and, if they could enlist as widespread an interest and participation in transportation development as was taken by the people of the United States. In this the local governments, for all their mistakes and inadequacies, and also the voluntary associations, played a considerable part. The building of the American network of transportation gained support from the local patriotism and the booster spirit of the city, town, and small community. It may be pointed out that the Communist practice of carrying regimentation and the party apparatus down into the smallest units, and the very different methods of "community development" of India and other countries, represent deliberate efforts to obtain popular participation at the local level in the processes of economic development. In the United States, vigorous local participation took instead the spontaneous forms that have been described.

¹⁷ *Nashville Union and American*, February 11, 1870.

On this occasion it is customary to consider *The Tasks of Economic History*. May I suggest that one such task is the examination of the economic effects of this American "boosterism," of this local civic pride, and to ask how much of its rather noisy activity canceled out in cross purposes and duplication of effort,¹⁸ and to what extent its energy made a positive contribution to economic development. Since a large part of this activity has been carried on by voluntary and unofficial organizations, the subject has rather fallen between the stools of the historians of politics and the historians of business. The records of these bodies are less accessible than those of governments, and their accomplishments are less measurable than those of business firms. Yet exploration of the subject, whatever the difficulties, seems to me essential for the understanding of a unique characteristic of American life.

My discussion of internal improvements began by citing the comment that the amount of government activity and expenditure in this field appeared astonishing in so individualistic a country. It ends on a quite different note, by suggesting that the nature and manner of this extensive government activity have been in close conformity with certain special characteristics of American development. Our record demonstrates a preference, though by no means universal or doctrinaire, for government partnership or subsidy rather than for purely public enterprise, and for leaving management largely in the hands of individuals and corporations. In this American experience differs from that of many foreign countries but not of all. Our record also shows that a large amount of this government action was taken by local governments, often of small communities. In this American experience is unique. In our case, moreover, governmental effort has been accompanied and abetted by the voluntary activity of a host of unofficial civic organizations, for which I am sure no parallel can be found in the history of other developing countries. Our policy with respect to internal improvements has thus been profoundly affected—for better or worse—by the traditional American characteristics of individualism, of localism, and of the habit of voluntary association.

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¹⁸The effect of local rivalries in impeding the formation of a fully connected national railroad system, by perpetuating differences in gauge and delaying physical connections between lines, is discussed in George Rogers Taylor and Irene D. Neu, *The American Railway Network, 1861-1890* (Cambridge: Harvard University Press, 1956). The text refers to the "long continued parochialism of the cities" (p. 51) and quotes a comment on "village peevishness" (p. 53).