RAILWAY DEVELOPMENT
IN THE PACIFIC NORTHWEST.

By

Gertrude Wilson
A. B., University of Kansas, 1922.

Submitted to the Department of History and the Faculty of the Graduate School of the University of Kansas in partial fulfillment of the requirements for the degree of Master of Arts.

Approved by:

[Signatures]

Instructor in Charge.

[Signatures]

Head of Department.

June, 1923.
**TABLE OF CONTENTS**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Congressional History of the Early Railroad Projects.</td>
</tr>
<tr>
<td>II</td>
<td>Early Local Railroad Development.</td>
</tr>
<tr>
<td>III</td>
<td>Later Development and Struggle for Control.</td>
</tr>
</tbody>
</table>
INTRODUCTION

The history and development of new countries have, from all time, been materially influenced by the means of transportation. On the other hand wherever the trend of the population takes its course also we see transportation systems and other improvements taking their course in a similar direction.

The American transportation systems of considerable magnitude have come about under conditions analogous to those which during the colonial period led England, France and Spain to establish and encourage trade with their respective colonies.

One of the prime objects of the financiers at the heads of the great railroad projects was to extend American influence abroad, primarily the Orient and to secure trade relations, as well as to facilitate communication between the East and West and aid the development of the Pacific Northwest.

I have tried to show in these chapters the tendencies which have brought the railroads to the minds of the people, their importance in the settlement of the Northwest, something of their history and struggle for control, and the part that the promoters of the great railroads, have played.
CHAPTER I.

Congressional History
of Early Railroad Projects.

Development of the idea of a trans-continental railroad begins very early. Asa Whitney was perhaps the first exponent of the idea. As early as 1844 he brought forward a project for the building of a railroad connecting the Atlantic with the Pacific. But like all new projects, which involve large amounts of money and other innumerable barriers, Mr. Whitney had difficulty in even so much as securing a hearing for his project. However, through his determination and perseverance, he gained his first favorable report in 1846-47 from the Senate Committee on Public Lands, and in 1847-48 he gained favorable resolutions from several state legislatures. In 1848 Mr. Whitney gained select committees in both houses of Congress for the consideration of his project. By 1852 Whitney felt sufficiently supported to propose a bill embodying the project to Congress.

The bill as proposed provided that a strip of land sixty miles wide from Lake Michigan or the Mississippi River to the Pacific, be sold to Whitney for ten cents an acre for building of the projected
road. The bill was very unfavorably received, in fact wasn't even considered as seriously meant for a real railroad. The people could not see the possible outcome of such a mere fantasy.

The project was allowed to die down and not until 1850 was it again considered. By this time the course of events had aroused the different sections and the question then in every one's mind was, "If there is a transcontinental road who will be benefited, the North or South or Central sections?" In other words, we see the dawning of a sectional conflict over what part of the country the road would traverse.

In 1850 a bill was proposed providing for more than one road, which was obviously an attempt to satisfy all conflicting sectional interests. It was to be supported by a land grant. The objections to it were that it was too large and couldn't be supported by the land grant alone. Then a substitute was proposed by Mr. Brooke of Mississippi, which provided for $30,000,000 of interest bearing stock, but this was objected to on the ground that it would create a vast private monopoly. Sectional amendments were offered but not accepted.

The whole matter had been previously referred to a Select Committee and it reported the Rusk bill.

1-Haney: Congressional History of Railroads, p.49.
3-Haney: Congressional History of Railroads, p.51.
4-Ibid., p. 53.
which was a modification of the Gwin bill. In a word, the bill provided for a preliminary survey and the most favorable route as indicated by the survey was to be located by the president. Funds in addition to a land grant were to be given. The road was to be built by private activity and the rights of the states were to be observed. This bill, however, seems to have given little more satisfaction than previous bills and its constitutionality was questioned.

The promoters of the project realized in time that the only thing to do was to make a preliminary survey of the various routes proposed and action began to form along that line.

Accordingly when the House bill for appropriations for the year ending June 30, 1854 was presented to the Senate, it was amended to provide that the Secretary of War might make exploration and survey for determining the most practicable route to the Pacific and asking an appropriation of $150,000 for that purpose. The bill as amended passed the Senate 31 to 16 and the House 62 to 42.

Bills were introduced into both houses for Pacific railways at the beginning of the 33rd Congress, but no action was taken.

4-Haney: Congressional History of Railroads, p.53.
5-Statutes at Large, 32nd Cong., 2 Sess. C.09, S. 10.
In February 1855 Jefferson Davis, Secretary of War, submitted to Congress the results of surveys made under the appropriation act of 1853. Of the five routes examined, he recommended that of the 32nd parallel as the most practicable and economical. The recommendation of the Southern statesman was properly discounted.

Meanwhile a Select Committee had been considering a bill which had failed to make headway. Mr. Givin proposed a substitute to this bill, which was finally passed by the Senate by a vote of 24 to 21. The bill, as substituted, provided for three roads each to be aided by a land grant. Bids were to be advertised for and the contractors were to determine the route and termini. The bill was objected to as involving too much expense. A bill almost identical in content had been under consideration in the House and the House passed its own bill 109 to 97, but the Senate bill was not acted upon.

From 1855-1857 there was relative inactivity with regard to Pacific railways due to the decline of the Whig power and the heat of the Kansas struggle.

In the campaign of 1858 both the Republican and Democratic party platforms contained Pacific railway plans. In his annual message to Congress, December 6-Haney: Congressional History of Railroads, p.56.
1857 President Buchanan urged the building of a road to the Pacific. Military expediency was the burden of his argument. He also mentioned commercial development and mail service as auxiliary arguments. Mr. Gwin at once had the president's speech referred to a select committee and a bill authorizing the president to contract for the transportation of mails, troops, etc. by railway from the Missouri to San Francisco. Bids were to be made for the contract. The aid proposed consisted of both land and a loan of credit. The bill was postponed. The chief objection raised was that railroads were relatively unremunerative and the road would have to depend on through traffic. This was at the time of the crisis of 1857, and existing economic conditions were not very conducive to such legislation. The bill was finally referred to a Select Committee of fifteen, and the Houses began consideration of routes. The Senate bill which had been postponed was taken up again in December. It provided for three roads to be built and in the discussion the rivalry between the North and South was distinctly brought out. The House took no action on the Senate bill.

In May, 1862 the House passed a bill, which with some modification, was to become a law. It provided for the construction of a road westward from the 102nd meridian to the California border, whence the Central Pacific Railroad Company of California would extend it to Sacramento. East of the 102nd meridian a number
of radiating branches made connection with different sections. Land was granted to the amount of ten alternate sections per mile and bonds to the amount of $50,000,000. The vote stood 79 to 49. The bill was amended in the Senate, to the 100th meridian. The bill as amended passed the Senate by a vote of 35 to 5. In 1863-64 final action was taken. Both Senate and House passed bills and agreed upon legislation through a conference committee. Thus the Central Route had won out and the Union Pacific and Central Pacific were begun from the east to the west and from the west to the east, respectively.

When about the year 1867, the golden future of the Pacific railway was realized, the construction became a fruitful field of corruption. The war had created a great national debt and hostility toward railroads as a corrupt and expensive project grew up. The reaction was heightened by the exorbitant rates charged. This reaction affected legislation in behalf of the railroads because there was so much opposition to government aid.

On the other hand it is quite astounding when we consider the amount of aid which the government advanced. The arguments must have been great and weighty which could have induced Congress to give some 154,000,000

acres of land and advance over $64,000,000 in government bonds. Perhaps the greatest arguments which were responsible for this were the public defense idea, that is the roads would strengthen the Army, decrease the cost and enable the government to deal more effectively with the Indians. Also the increased economy of the railroads in carrying the mail was considered important. On the other hand, the government would eventually gain because it would open the land to development and settlement and another big item was the fact that trade with Asia had been long desired and by a route to the Pacific there was little doubt that that desire would be realized to the nth power. Then too the lands of the East and the West laid entirely separated so by some means of communication there would be made a union of the newly acquired Pacific territories and the East.

On the other hand, there were many objections set forth. The opposition said that no railroad could subsist by through traffic alone. They also argued that the acts granting public lands to railroads, by Congress, were unconstitutional because it infringed on the rights of the States. It was generally feared that Congress would fasten on to itself and the nation a system of internal improvements and as a result the mania for land grants rapidly waned after 1862, and

8-Haney: Congressional History, p. 149.
later grants met considerable opposition. Previous to the war the chief objection had been that a Pacific railway would stir up sectional dissatisfaction.

The Pacific railway problem lay in the various questions as to the means to be employed in attaining the ends desired. There were three foremost questions, the kind of aid; the route to be taken, and the agency for construction. It was soon decided that it would be folly to make it a national undertaking and so private companies were decided upon as the feasible agencies of construction. About the same time that the decision was made as to construction, it was generally accepted that aid should be given in the form of a land grant and loan of government credit. More difficulty was found in settling the question as to the route. Previous to the war there had been a constant and strong pull between the North and the South for the road and it looked as if the South would win out and would have perhaps if it had not been for the power of northern capital which kept the issue moving until the war came on and stagnant such projects. When the war began it was politically and financially impossible to consider northern or southern routes. It was even impossible to unite on a Central route, for some time. Finally the Central route with branches to satisfy the sectional conflicts was accepted.

9-Haney: Congressional History, p.151
In order of their incorporation the Pacific railways were as follows: Union Pacific, 1862, 1864; Northern Pacific, 1864; Atlantic and Pacific, 1865; Texas and Pacific, 1871; The Southern Pacific received recognition in 1866 and 1871. The charters of these railways were similar except in the difference in land grants. Rights of way varied from 200 to 400 feet in width and other grants of land from 30 to 40 alternate sections per mile. The general requirement for time was to begin within two years and complete within twelve years.

Though Congress was especially concerned with regulations of railways in the states there was also an early tendency for government regulation in the territories. As early as 1838 there had been such a tendency. From 1850 to 1870, however, there was little manifestation of this tendency and the "laisser-faire" idea was dominant. During those years Congressional history of railways consists mainly of land grant affairs. In 1854 Congress granted land to Minnesota for railways, with the proviso that none should inure to companies then constituted or organized.

The first important action taken by Congress concerning railways in the territories came in 1867 when

10-Haney: Congressional History, p. 152.
11-Ibid., p.187.
they were forbidden to incorporate railway companies. The act was amendatory to an act to provide temporary government for Montana. One section of the act provided:

"Legislative assemblies of territories shall not grant private charters or special privileges, but they may by general incorporation acts permit persons to associate themselves together as bodies corporate for mining, manufacturing and other industrial pursuits."

The right to incorporate railways denied the territories and concentrated in Congress, the evils and difficulties of special legislation soon were apparent. Congress had passed an ambiguously worded act because of the term "other industrial pursuits" which might clearly include railway transportation, and though it was generally held to prohibit territorial acts of incorporation, such acts were passed and confusion resulted. Moreover, Congress was flooded with bills for incorporating railways in the territories. In the same year, 1872, bills were introduced into both houses for a general law of incorporation for railroads in the territories and it was such a condition which led to the passage of an act amendatory to the act of March 2, 1867, which provided: "So far as relates corporations which have been or may be organized for the business of

12-Statutes at Large, 14: 426, Sec.I.
mining, manufacturing or other industrial pursuits in
construction or operating railroads, wagon roads, etc.
and for all rightful subjects of legislation con-
sistent with the constitution of the United States, un-
der the general incorporation laws of any territory of
the United States shall be construed as having author-
ized, and as authorizing the legislative assemblies of
the United States by general incorporation acts to per-
mit persons to associate together as bodies corporate
for purposes above mentioned."

This act did not bring entire satisfaction
and from 1872 to 1875 there were some twelve bills for
federal incorporation brought up in Congress. In 1873
the House debated and passed a bill to incorporate and
grant a right of way to the Wyoming and Montana Rail-
road Company. It was objected to on the ground that
difficulty would arise when Wyoming should become a
state, that the corporation would master the state and
that Congress was becoming too lax in their incorpora-
tions. There were many objections to federal incorpora-
tion acts because it was charged that they "brought be-
fore them crude, hastily drawn, incomplete, and passed
with little debate."

In 1874 a Senate bill was introduced and fi-
nally after much debate an amendment was passed in 1875.

14-Statutes at Large, 17, p.390.
15-Haney: Congressional History, p.188.
16-Statement by Mrs. Hoar of Mass., Cong. Record, 1874-5,
p. 1159.
The amended bill provided for the incorporation and legislation of railway companies in the territories of the United States and granting right of way. Mr. Holman of Indiana introduced an amendment giving future states the rights to fix rates and prevent discriminations. Many objections arose, one of the most important being that Congress could not delegate the power to regulate commerce. After considerable discussion the amendment was rejected by a vote of 84 to 68. An amendment proposed by Mr. Hoar was adopted. It provided that all rights of way should be subject to the authority of any state thereafter formed and through which the railroad should pass. The Senate did not concur and a conference was necessary which as finally enacted was entitled "An act granting the railroads the rights of way through the public lands of the United States." It provided general right of way legislation but practically shorn of regulatory intent.

17-Congressional Record, 1874-75, p.911.
18-Haney: Congressional History, p.188.
19-Statutes at Large, 18, p.482.
CHAPTER II

Early Local Railroad Development.

We turn now from the Congressional history of the early Pacific railroad projects to the actual railroad development of the northwest. Although the transcontinental railroads played a big role in the settlement of the northwest and its general development, we must not forget that the local roads had a big part to play also. Much of the northwest was still in territories when railroad building began. I will try here to show some of the development locally before the other projects were in operation.

The Oregon legislature of 1853-1854 granted charters to four companies but the only one of which took any steps toward carrying out its privileges was the Willamette Valley Railroad Company. The committee of the company held several meetings to consider the project but the time was not yet ripe for a railroad and this temporary enthusiasm seems to have been aroused by the Pacific railroad survey.

In 1853 the Oregon legislature passed a memorial in relation to a transcontinental railroad from the Mississippi River to some point on the Pacific coast.  

A charter was granted to a company styling itself the Oregon and California Railroad company which proposed to build a road from Eugene City to some point on the east side of the Willamette River below Oregon City, or possibly to the Columbia River.

The only railroads in Oregon previous to the organization of the Oregon Central were the Portages about the Cascades and Dalles of the Columbia and the Falls at Oregon City. In 1863 S. G. Eliot, a civil engineer, made a survey of the railroad line from Marysville in California to Jacksonville in Oregon. This survey was made for the California and Columbia River Railroad Company incorporated Oct. 13, 1863 at Marysville, California. Eliot attempted to raise more money in Oregon but met with much opposition because of the prejudice in Oregon against California enterprise.

In 1865-1866 a subsidy bill passed which granted twenty alternate sections of land per mile. The Oregon Central railroad company was formed at this time and it was designated to receive the Oregon portion of the land. A canvass for private subscriptions was made. Then Eliot appeared with a proposition signed by A. J. Cook and company whereby the Oregon Company was asked to turn over the whole of the road to the people of California to build. Compensation was to be $50,000 to each of

2-Bancroft: Oregon, p.596.
the incorporators, to be paid in unassessable preferred stock in the road. Gaston, Secretary and general agent, opposed it but to too many others the bait was too tempting and the proposition was agreed to. A new company was projected by the capitalists under the corporate name of Oregon Central with the evident intention of driving the original company from the field and securing under its name the land grant and state aid. The capitalists at once cancelled their agreement, refusing to support either side. Gaston then located the line on the west side of the Willamette River and again started a campaign for financial support.

Gaston employed A. C. Barry to complete the survey of the road from Jacksonville to the Columbia River. A report was prepared by Barry and Gaston had it printed and sent to the farmers and business men of the country. By the time the legislature met the pamphlet had been prepared and with it was sent an additional chapter on the resources of the country. The pamphlet gave a favorable view of the entire practicability of the road from Jacksonville to the Columbia River at St. Helen. The document was referred to the Committee on Corporations and James H. Pyle, Senator from Douglas County, chairman, made an able report supporting the policy of granting state aid.

3-Bancroft: Oregon, p.696.
4-Ibid., p.697.
By April 1867, $375,000 was made available for the Oregon Central. The ground was broken on the west side April 14, 1868. The question of the legality of the two companies soon arose. By the act of 1869 it provided that the rights already acquired under the original act were not to be impaired by the amendment nor more than one company be entitled to a grant of land. This left the companies on an equal footing and left the question of legality to be decided by the Oregon courts. May 1, 1870 an act was passed consenting to a branch road to Astoria, with an accompanying land grant.

The Oregon legislature passed a joint resolution instructing their senators in Washington to give their support to the construction of a railroad from Salt Lake to the Columbia River, Portland and Puget Sound, and a railroad from the big bend of the Humboldt River to Klamath Lake and thence through the Unysqua and Willamette Valleys to the Columbia River.

Ben Holiday gained control of the roads and pushed construction of the two roads, along the Willamette, rapidly. The Oregon and California was completed to Albany in 1871; to Eugene in 1872; and to Rosebury in 1873. The Oregon Central was opened to Cornelius in 1871 and to St. Joe in 1872.

No sooner did railroad enterprise begin to assume a tangible shape in Oregon than several companies

5-Bancroft: Oregon, p.702.
rushed into the field to secure land grants, notably the Cornwallis, Yaquima Bay Company, Portland, Dalles and Salt Lake Company, the Winnemucca and Columbia River and Hillsboro Company.

Seven years after Holiday was forced out of Oregon, the Oregon Central was completed to Eugene, the Oregon and California to the southern boundary of Douglas County, the Dayton and Sheridan Narrow-Gauge road was constructed to Airley twenty miles south of Sheridan and another narrow-gauge road on the east side of the Willamette made connections with this one and running south to Caburg gave four parallel lines through the heart of the valley. A wide-gauge road was constructed from Portland by way of the Columbia to the Dalles and eastward to Umatila and Pendleton, and Baker City.

In 1860 owners of many lines of steamboats on the Willamette and Columbia Rivers rented their interest to form the Oregon Steam Navigation Company. Jay Cooke and Company bought it out in 1871 in the interest of their Northern Pacific project. When it should be completed they desired all of the Columbia transportation. In 1872 the Oregon Steamship Company was incorporated.

In 1873 the Frankfort committee sent a delegation to Oregon for a thorough investigation of the

G-Bancroft: Oregon, p.702.
railroads and their future in Oregon. Henry Villard, an able financier, was at the head of the investigation. They found the Oregon Steamship Company in rather bad condition and the principal part of settling things up fell to Mr. Villard. In 1874 an agreement was reached between Ben Holiday and Mr. Villard whereby Holiday gave up the control of the Oregon and California road and also the Oregon Central, which was unproductive at this time and also the Oregon Steam Navigation Company.

Simultaneously with the development of railroads in Oregon, the development in the other states and territories was going on.

As early as 1854 in Washington F. W. Lander undertook at his own expense the survey of a railroad route from Puget Sound by the valley of the Columbia, to the vicinity of the South Pass of the Rockies with a view to connecting Puget Sound by rail with a railroad to California. He objected to a too northerly route because of the extreme cold. By act of Congress Feb. 5, 1855, $30,000 was appropriated, at the recommendation of Stevens and others connected with the Northern Pacific Survey, for the construction of a military road from the great falls of the Missouri to Fort Walla Walla, a distance of about 700 miles. No difficulty seems to have been experienced in procuring appropriations for the road, which was looked upon as a forerunner of a

Pacific railway.

The territorial charter of the Northern Pacific was granted by the legislature Jan. 26, 1867, to fifty-eight incorporators, the road to be commenced within three years and completed within ten years with a capital stock of $15,000,000. The legislature of 1856-57 gave expression of jealous fears lest favoritism should prejudice the interests of the territory, Congress having granted a magnificent subsidy in land and money to the Central and Southern roads, without having done as much for the Northern Pacific by several million. Oregon was trying to get a branch from the Central to Portland and this would delay the Northern Pacific. On the granting of subsidies in 1860 the Northern Pacific just failed of being chartered by Congress as it had been by the territorial legislature, with I. I. Stevens as one of a board of commissioners. Before the friends of the road could again gain favor in Congress, Stevens had died on the battlefield. July 2, 1864 the Northern Pacific received its charter signed by President Lincoln. The bill as passed withdrew the money subsidy and increased the land grant.

The first charter granted to a local railroad company by the Washington legislature was in January, 1859 to the Cascade Railroad Company from lower to the

upper end of the portage at the Cascades of the Columbia.

In January 1862 a charter was granted to the Walla Walla Railroad Company for a road from Walla Walla to the Columbia at Wallula. The road was to be completed by Nov. 1865 but the time was extended two years and not finally completed till 1875. A branch road was constructed to the Blue Mountains. Also in January 1862 an act was passed incorporating the Puget Sound Columbia River Railroad Company which was empowered to operate a road from Stirlacoom to Vancouver within ten years from date of the charter, but it never availed itself of the privilege as the Northern Pacific was soon promising to supply the needed communication with the Columbia. Its charter was so amended in 1864, however, that the road might be extended to a point on the Columbia opposite Cililo.

In January, 1864, the Seattle and Squak Railroad Company was incorporated to run from Squak Lake to Seattle. It was to begin construction within two years and complete within six years.

In 1875, after having secured control of the Oregon and California, Oregon Central, and Oregon Steam Navigation Company, Mr. Villard went to Europe to secure creditors for his new project and a consolidation of the three companies into one company was made. Mr.

11-Above, page 18.
Villard wished to attract immigration to the northwest, to extend the Oregon and California to a connection with the Central Pacific system and to add to the mileage of the Oregon Central sufficiently to make it a paying investment. The Oregon Railway and Navigation Company was incorporated June 13, 1879. The negotiations were between Villard and J. C. Ainsworth, president of the Oregon Steam Navigation Company.

The Oregon Railway and Navigation Company built rapidly and besides purchasing the Walla Walla and Columbia River Railroad it extended its lines south of the Snake River as far as Pendleton, Oregon; and North of the Snake River from the Northern Pacific at Connell to Moscow, Idaho. The Northern Pacific also built several branch lines in Eastern Washington, opening up the wheat lands to the market.

In the spring of 1876 Mr. Villard had opened up an Eastern Immigration Bureau for Oregon and California and Washington, and from it carried on a vigorous agitation for immigration to that part of the country, by advertisement in the press and wide circulation of pamphlets written by himself.

In 1883 the Puget Sound Shore Railway connected Seattle and Tacoma by rail. The total mileage in Washington in 1888 was 1,060 miles.

14-Ibid., p. 388.
In 1889 the Seattle and Montana Railway Company was organized under the laws of the State of Washington. Seattle was selected for the chief terminus on the Pacific coast and it was decided that a line skirting the shore from there north to the Fraser River should be built or acquired. The New Westminster Southern Railroad Company was incorporated in April 1887 to build from the international boundary to New Westminster in British Columbia. Mr. J. J. Hill closed a deal with the Union Pacific in 1891 for a joint ownership of the line from Seattle to Portland.

Idaho was slightly known and scarcely populated until the discovery of the Boise Mines in August, 1862. By the spring of 1863 the population had increased to approximately 20,000 persons. Then the Civil War caused many to emigrate to the Western and Northwestern states. The fame of the Salmon River Mines attracted many also. Immigration in 1865-66 was large. Many came from California and Nevada. From the East 1,840 waggons passed Fort Kearney in May, and though they distributed themselves along the whole coast, Idaho and Montana retained the greater portion of them. The growing population and growth of the mining industry demanded adequate means of rapid transportation. Accordingly the people began looking forward to transportation by rail.

An act of the legislature, Jan. 11, 1866, incorporated the Idaho, Salt Lake and Columbia River Branch, Pacific Railroad Company, with authority to construct a road from the north end of Salt Lake to a point ten miles below Old Ferry on the Snake River.

Preliminary surveys were made by the Union Pacific Railroad Company in 1867 and the route declared favorable, but the sale in 1869 of the Union Pacific west of Ogden to the Central Pacific caused the abandonment of the branch through Idaho. A proposition was made in 1871 to extend the California Pacific from Davisville via Beckworth's and Nobles Pass through southwest Oregon and the Snake River plains to Salt Lake.

In 1872 Congress passed an act granting to the Portland, Dalles and Salt Lake Railroad an Oregon corporation of March 25, 1871. An effort was made to get bills through the Idaho legislature in support of the scheme of the Portland, Dalles and Salt Lake road proposing to pay the interest on $3,000 or $5,000 per mile for a term of years, but was not very favorably received. A substitute bill passed exempting the railroads built within the territory from paying taxes for seven years.

The Northern Pacific adopted such vigorous measures in 1879 to complete its line to the Pacific and thereby control the transportation of the northwest.

that the Union Pacific was inspired to construct the long-deferred branch through Idaho, called the Oregon Short Line, making with the Oregon Railroad and Navigation Company to the Snake River a continuous railway from Granger in Wyoming to the Columbia River, with one branch to Hailey, and other branches contemplated.

In the meantime Congress granted the right of way in 1873 to the Utah and Northern Railroad and a narrow-gauge road was built 127 miles from Ogden to Oneida on the Fort Hall Indian Reservation, a distance of 53 miles north of the Idaho line. It met with financial difficulties, the capital was exhausted and the road passed into the hands of Sidney Dillon and Jay Gould in 1878, who gave it a fresh impetus, completing it almost to the Montana line the following year. It was completed to Deer Lodge, Montana in 1881-82, and soon after that to the junction with the Northern Pacific at Blackfoot. At the time of its construction it was the longest continuous narrow-gauge line in the United States and was well equipped.

The Northern Pacific which so suddenly populated and developed Eastern Oregon performed no such service for Idaho, merely crossing the Panhandle as far as Pend d'Oreille Lake. It assisted, however, in bringing to notice the mines of Coeur d'Alene district.

and later sent off branches to these lines and the other parts of the Panhandle. The road which played the greatest role in the development of Idaho was the Oregon Short Line, constructed by the Union Pacific Company, traversing the territory from east to west, it brought all into contact.

In 1873 a bill was passed "enabling and authorizing any county or counties within the territory of Montana to aid in the construction of a railroad and to subscribe to the capital stock of the same." By this act it became lawful for the county commissioners of any county to submit to any incorporated company a proposition to subscribe to the building of a railroad from the Union Pacific, the Central Pacific or the Utah Northern into or through the territory of Montana not exceeding 20 per cent of the taxable property of the county upon condition that Madison, Jefferson and Gallatin counties should subscribe 15 per cent and 20 per cent, to be paid as soon as the roads reached those counties and 15 per cent when completed. A similar proposition was to be put to the other counties. The failure to secure a grant from Congress of a right of way for railroads across the public lands and the disinclination of the people to be any more heavily taxed, kept the question from being considered at once.

22-Ibid., Montana, p.679.
The desired Right of Way Act was passed by Congress March 1875, and a railroad convention was held at Helena April 21, at which among other declarations it was resolved that a committee of one from each county should be appointed to solicit propositions from the Northern Pacific, Utah Northern, Portland Dalles and Salt Lake, Union Pacific and Central Pacific.

The only company which availed itself of the opportunity extended to it by the convention to send a commission to the legislature which convened January 1876 was the Northern Pacific. That company appointed its vice president, George Stark, and its chief engineer, Roberts, to confer with the legislature relative to a plan by which their road could be extended from the Missouri and up to the Yellowstone Valley 200 or more miles.

The result of the conference was that the Northern Pacific accepted the loan of the credit of the territory to the sum of $3,000,000 at 8 per cent interest, secured by a lien upon the traffic of the road to and from Montana. An argument in favor of such a loan was that Montana expended annually in freights by the way of the Union Pacific and by wagon from Corinne $1,000,000, to which was added another half million on freight by way of the Missouri River and wagons from Montana.

24-Bancroft: Montana, p. 682-3.
Benton. The reduction, it was argued, on freights would amount to three million dollars in a short while if the people would deprive themselves of that amount temporarily.

The vote on the subsidy was cast April 1876 and there proved to be a much smaller majority against it, than had been expected by the legislature. For such an outcome the legislature was prepared and passed an act vetoed by the governor and passed over his veto, convening the next legislative body in January 1877. The ostensible reason for changing the time of meeting was to bring it nearer the time of election.

The Utah Northern came forward with a proposition to the legislature in session in 1877 and offered to build 300 miles of narrow-gauge railroad within three years, 100 miles per year, starting at Franklin, Idaho to a point as far north as the Bighole River and to be called Utah Northern Extension, for a subsidy of $5,000 per mile in bonds of the territory.

The same year the Utah Northern extended its line northward, changing the route to Snake River through Marsh Valley and Port Neuf Canon. In 1879 the president of the company proposed to the governor of Montana to extend the road to the Montana within the current year and thirty miles into Montana within the year 1880,

provided only that the legislature would exempt the road from taxation for a period of fifteen years. The governor issued a proclamation calling an extra session to convene on July 1, and in his message strongly advocated the acceptance. It was referred to a committee of three,—two reported in favor and one against on the ground that the laws of the United States did not permit them to grant a special privilege to one company which in this case they could not extend to other roads,—notably the Northern Pacific. The bill was defeated.

The failure of the railroad bills did not permit railroad building. The Union Pacific saw a need of competing with the Northern Pacific which was then near the Montana territory. It, therefore, constructed ten miles of the Utah Northern within the limits of Montana and the following year it constructed 110 miles and in 1881 reached Helena.

With the opening of the railroad communication a new era of prosperity which had been slowly dawning since 1876 greatly assisted the territory in recovering from its embarrassed financial condition.

Not until 1837 were the first sixteen miles of railroad constructed in Canada, the line being in operation some ten years later than the first one completed in the United States. It was not until the

discovery of the Frazer River gold fields in 1858 that
the project for a railroad between the Atlantic and
Pacific and the idea of a united British-American Em-
pire first took shape. The Grand Trunk Railroad had
been built from the Atlantic to the Lakes and it was
hoped that it would go on to the Pacific. The trend
of immigration was steadily westward and was destined
to overflow into the United States. In a speech from
the throne in 1850 the Queen said "I hope that the new
colony in the Pacific may be but one step in the career
of steady progress by which my dominions in North Amer-
ica may be ultimately peopled in an unbroken chain
from the Atlantic to the Pacific by a loyal and indus-
trious population." Everyone was asking the question,
"Will the line of Pacific railroads traverse British Co-
lumbia?" But little was done at this time for the
project seemed impracticable and all but impossible.
No suitable pass had been discovered; no emigrants had
penetrated the forest and snow-clad mountains. More-
over, the country was far too remote from the Dominion
to construct a road in advance of emigration. The pro-
ject was for a time forgotten.

However, in 1868-69 British Columbia was
yielding a considerable amount of gold. Partly due to
the efforts of Viscount Milton, in the two houses of
Parliament, after his exploration of the Yellowhead,

Thompson and Fraser route that the subject of transcontinental communication was renewed. At the time Alfred Waddington presented in the Commons a petition in favor of a Canadian Pacific railroad urging that British Columbia was the key to the commerce of the Pacific, the possession of which was coveted by the United States.

In the Canadian Gazette Sept. 28, 1869 appeared the first notice of the existence of such an incorporation as the Canadian Pacific Railroad Company, setting forth that application would be made at the next session of the Canadian Parliament for a charter to build a railway from Canada to the British Columbia boundary. In the Montreal Gazette was published the prospectus of the promoters. According to Mr. Waddington this plan originated with Mr. Burpee, a Canadian engineer, without further object than to bring the matter before the public. Through Waddington's influence at Ottawa by the advice of his parliamentary friends in London, great prominence was given to the proposition for a railway in connection with the negotiation of the terms of union between British Columbia; and the Canadian Pacific Railway henceforth had a history apart and one involving the action of the two governments.

29-Ibid., p.644.
The development in the individual states goes hand in hand in many cases with the greater development of trans-continental systems. The story of the connecting by rail of the East and West is largely a story of the cleverness of the "big" men in the railroad field and their struggle for supremacy. It is the vying of money interest and real ability.

Let us first consider the early history of the roads and their charters.

The Northern Pacific had been in the minds of the people perhaps the longest for as stated above, in consideration of a trans-continental railroad, there was a severe conflict between northern, southern and central routes and the central eventually won out.

The Northern Pacific Railroad was chartered July 2, 1864 and was the third trans-continental route. It was an act granting lands to aid in the construction of a railroad and telegraph line from Lake Superior to Puget Sound on the Pacific Coast by the Northern route. The railroad was to be laid off on a line north of the

1-Statutes at Large, 38th Cong., p. 361.
45th degree of latitude to some point on Puget Sound, with a branch road via of the valley of the Columbia River to a point at or near Portland, Oregon. The capital stock was to be one million shares of $100 each. Right of way granted was 300 feet on each side of said railroad. The land grant consisted of 20 odd numbered sections per mile on each side of the road. The conditions of the grant were that the Company should commence the work on said road within two years from approval of the act by the president and should complete not less than fifty miles per year after the second year and should complete the road by July 4, 1876. It was conditioned that if the company did not fulfill the requirements the government might take over the line. The company was required to get the consent of the state legislatures through which it might pass.

In 1866 a joint resolution extended the time for construction two years. In 1868 further extension of two years was granted. The company was to build 100 miles per year after the second year and complete its line by 1877. There was so much opposition to that measure, however, that the time extension was cut down and the requirements increased.

In 1869 a joint resolution was passed which

2-Statutes at Large, 15: 355.
3-Ibid., 15:355.
authorized the issuance of bonds to be secured by a mortgage on the company's railroad and telegraph line. Then in 1870 an act was passed which authorized a bond issue for construction and equipment having as security "a mortgage on its property and rights of property of all kinds and description, real, personal and mixed, including its franchise as a corporation."

During the years 1870-73, 528 miles were constructed. Thirty million dollars funded debt was too much for the amount of the land grant to bear and as a result the Northern Pacific failed when the panic of 1873 struck the country. Bills to extend the time of construction failed but in 1877 work was again resumed and work of construction finally completed without having to forfeit the land grant.

The agitation for the other roads began at this inopportune time, just prior to the panic of 1873 and the various projects suffered severely.

The St. Paul and Pacific Railroad which had been chartered in found itself in a hopeless state of finances by 1873 and its bankruptcy gave James J. Hill, a financier who had for some time been connected with various river transportation systems in the northwest, the chance he had been waiting for.

4-Statutes at Large 15:346.
5-Ibid., 15:346.
By the original act of Congress making the land grants in the northwest, if any of the lines specified were not completed within the time set, the land should revert to the United States. In 1860 not a rail had been laid in Minnesota and the Minnesota and Pacific had been chartered under that act. Therefore, in that year the state of Minnesota enforced the forfeiture of all the grants that had been made to the favored companies. Friends of the Minnesota and Pacific were not give up and in 1861 secured a regrant of old rights and privileges and was reorganized under the corporate name of St. Paul and Pacific Railroad Company. In March 1862 the Minnesota legislature granted all the rights, franchises and privileges which the defunct Minnesota and Pacific had held.

For a period the St. Paul and Pacific had little difficulty but the people were demanding a subsidy. When the Northern Pacific was chartered the St. Paul and Pacific held under its charter the right to construct a total of 770 miles and received a land grant of 5,614,000 acres. Then began the big fight in Congress,—one side for the Northern Pacific and the other for the St. Paul and Pacific. It was not until five years after the chartering of the Northern Pacific that they were willing

7-Ibid., Vol. I, p.154
to give up the fight for a bed subsidy.

The St. Paul and Pacific soon found itself in an inferior position and soon feeling the pressure of necessity. The lines of the Northern Pacific were crowding around it and the St. Paul and Pacific was in no position to make any effective resistance. Its main line and branch line to Sauk Rapids were completed in 1871, but its money was gone, its credit exhausted, business was small and its securities were in the enemy's hands, as the so-called "First Division of the St. Paul and Pacific" had been contracted by E. B. Litchfield, who was in sympathy with the Northern Pacific, and early in 1870 all of the interest was transferred to the Northern Pacific Railroad Company.

From the time of the collapse in 1873 until Mr. Hill and his friends came in control, the property was a pitiful heap of unrelated scraps. From 1873 to 1876 only 87 miles had been constructed and at that time there were 436 miles remaining to be constructed.

Mr. Hill solicited the aid of some of his friends of ability to undertake the buying of the St. Paul and Pacific. He secured Norman Kittson, Donald A. Smith (Lord Strathcona) and George Stephen. In August 1875 the Northern Pacific was sold at foreclosure and reorganized by a committee of the bondholders and it began an opposition more vigorous than ever.

Other roads were in the process of construction and many were either in a stage of bankruptcy or on the brink of it. All were in danger of losing their land grants. Accordingly an act was passed March 6, 1876 making it possible to foreclose a mortgage on a land grant railroad without destroying the immunity from taxation of its granted land. Negotiations for purchase lasted until March 1878 when the road finally went into the hands of Mr. Hill and his colleagues and was the road destined to be the Great Northern. The obligations involved were many and stringent and the first year was one of anxious waiting, but by the end of the year the foundations were laid that all immediate fears disappeared.

In May 1879 the associates bought the Branch Line of the St. Paul and Pacific Railroad and organized the St. Paul, Minneapolis and Manitoba Railroad Company. At that time the total mileage was 667 miles of which only 565 were completed, the rest were under construction. The new company started with a total capitalization of $31,000,000.

The idea of a railroad from ocean to ocean was doubtless a shadowy thing in the minds of most of the people until the Northern Pacific and Great Northern began to break down the apparently invincible barriers. I have discussed somewhat the genesis of the

early project in the chapter on Congressional History of Early Railroad Projects, so I will consider more fully the later projects, and the history of the established roads.

One of the terms of union of British Columbia with the Dominion was the "construction of a railway from the Pacific toward the Rocky Mountains, and from such point as may be selected east of the Rocky Mountains, to connect the seaboard of British Columbia with the railway system of Canada. That provision became the pivot of all Canadian politics for the next fifteen years.

George Brown and Sir John MacDonald, the leading statesmen, felt that the great heritage so long monopolized by the Hudson Bay Company should belong to Canada and they began working toward that end at once. Provision for the acquisition of the Northwest territories was inserted into the North America Act and on December 4, 1867, a series of resolutions were introduced into the House of Commons by Mr. MacDougall asking that the Queen give her support. Oct. 3, 1868 Sir George Cartier and Mr. Mac Dougall were sent to London to negotiate and an excellent bargain was secured for Canada. The Hudson Bay Company agreed to transfer to the crown their exclusive rights to the Northwest territories and Rupert's land in consideration of the sum of

11-Makers of Canada, McDonald, Vol. XXII, p. 150.
12-Ibid., p. 155.
300,000 pounds and reserved one-twentieth of the fertile belt and a certain area adjacent to each of their trading posts.

The vast area coded was inhabited solely by scattered tribes of Indians and officials of the Company. The Indians caused some trouble and Mr. Mac Donald refused to take it over until it could be turned over peacefully.

In 1871 upon the motion of Sir George Cartier in the absence of Mac Donald Parliament had accepted the suggestion of the opposition that the railway stipulated for by British Columbia should be built not by the government but by a state-aided company. Then at the session of 1872 an act was passed to provide for the construction of the Canadian Pacific railway, the work to be commenced not later than July 1873 and completed within ten years. During the years 1871-73 two companies secured charters and not wishing to favor either Mac Donald set about to amalgamate the two companies. When the House assembled in 1873 the charter of the Canadian Pacific was ratified.

Lucius Huntington of the opposition accused Mr. Mac Donald's government of having used means equivalent to bribery. He made the accusation that Hugh Allan had advanced large sums of money to secure the election of the ministry; the consideration of such an agreement

14-Ibid., p. 200.
being the granting of a charter to Hugh Allan for his personal use. Debate lasted seven days and Mr. Mac Donald foreseeing the outcome of the vote handed in his resignation Nov. 5, 1874.

This political change was a great misfortune to the Northwest. It upset the established regulations regarding land and there is no doubt but that it retarded the building of the main line of the Canadian Pacific for years, beside materially increasing the total amount expended for construction, through the vacillating policy of the new ministry.

The new ministry proved inefficient and had none of the keen foresight and management that the Mac Donald ministry had shown. The agreement with British Columbia was abandoned as impossible of fulfillment. They refused to carry out the terms of the agreement to build within ten years, alienated the west and drove British Columbia to the verge of secession. During this time Mac Donald was active in a quiet way and was taking advantage of the mistakes of Mackenzie and was forming a constructive policy of his own. He stood pledged to the development of the Northwest and the fulfillment of the agreement with British Columbia and he intended to see it through.

Most every one considered it a matter of course that Mac Donald would be restored to the ministry, which

17-Ibid., p. 192.
he was in 1879. He began work at once on the trans-
continental scheme and in September 1880 a contract for
the road was signed.

The original directors of the syndicate were
Mr. George Stephen, Duncan Mac Intyre and R. B. Angus.
Backing them was Donald A. Smith, Lord Strathcona, who
had made the speech in 1873 which had so largely contrib-
buted to Mac Donald's defeat and who had come to feel
by 1878 that the future of the Northwest depended largely on Mac Donald's return to power. The original syn-
dicate was soon replaced by James J. Hill, Angus, Stephens and Smith.

Since James J. Hill had been the central fig-
ure in the Great Northern project it came only natural
that he should be looked to as the champion of the North-
west and that he would endeavor to secure control of the
Canadian Pacific. The chief reason for wishing to gain
control of the Canadian Pacific was that it was high
railroad strategy to command both sides of the interna-
tional line. Again in order to get materials for the
construction of the Canadian Pacific would have to be
taken through the American lines and so it was urgent
to accrue to the St. Paul, Minneapolis and Manitoba.

By the original contract the company was to
receive $25,000,000 in cash, 25,000,000 acres of land

18-Makers of Canada, Sir John Mac Donald, p.236.
and all land required for stations and workshops.

The syndicate lost no time in getting to work. Offices were opened in Winnipeg; Mr. Starking was appointed general superintendent; General Rosser was placed in charge of the survey and J. H. McTavish was made land commissioner.

One of the first steps taken was the opening of an office in London for the purpose of inducing emigration to the Northwest and placing before the people of Great Britain and the whole of Europe the advantages of the country through which the railroad was to run. There was, however, some opposition in England on the part of investors and others to anything Canadian. The heavy losses sustained by British capitalists in the Grand Trunk investments had not been forgotten. The press of Great Britain was especially cool to the enterprise.

The terms of the charter although apparently liberal were not equal to the great expense which the road was put to in construction. By the autumn of 1883, $65,000,000 of the capital had been expended in construction. It was assailed both at home and abroad and the worst feature of the struggle was that the opposition came chiefly from Canadian sources and therefore was harder to overcome as it influenced the money interest of Britain against the project.

19-Makers of Canada, Sir. John Mac Donald, p.236.
Mr. Hill resigned as a member of the syndicate in 1883.

Despite all these reverses, however, Mac Donald triumphed and the government aided the railroad through the crisis and the last spike was driven by Donald Smith, Nov. 7, 1885.

The railway was not expected to yield money payments very soon. The main purpose was to establish overland communication within British America and to open for settlement the vast uninhabited and woodless wilds of the interior of Canada. The railway was the answer to all of Canada's great problems. It also was important as a national highway in that it meant easier communication between England and her possessions in America.

With the construction of the three greatest continental railways of the northwest there came the inevitable competition between the roads for control of trade. The big thing in the Northwest transportation was wheat. That part of the country had been severely handicapped by not having adequate transportation previously and then the problem was what road will dominate. Before going into the problem of "whom shall control" let us look for an instant at the material progress that had been made in the Northwest up to the time of the struggle for control.

21-Makers of Canada, Mac Donald p.238.
The mileage in Washington Territory in 1861 was 274 and the population was 75,120. All of the railroads had been consolidated with those of the Oregon Railway and Navigation Company except, of course, the Northern Pacific. In 1883 the mileage in Washington was 1,140.83 and the population 349,390.

In Oregon in 1881 the total mileage was 582.36 with a population of 174,767. In 1889 the mileage was 1,051.81 and population 313,737.

Idaho had 220 miles of railroad and a population of 32,611 in 1881 while in 1889 the mileage was 624.70 and the population 63,585.

Wyoming boasted of 473 miles of road in 1881, and a population of 30,786, while in 1889 there 301.74 miles of road and population of 60,705.

Montana had a population of 39,157 and a mileage of 47.60 miles. In 1889 had increased to population of 132,159 and had mileage of 1,621.05, while Nevada in 1881 had a population of 62,285 and railroad mileage of 796.46, and in 1889 a population of 45,761 and railroad mileage of 220.87.

The total length of the Northern Pacific line in 1888 was 3,396.5 miles but only 2,140.10 miles were actually owned by the Northern Pacific. In 1907 the total length of the line was 5,733.22 miles.

23-Census for 1880.
24-U. S. Statistics of Railroad, Sept. 1888.
In 1885 the Oregon Railway and Navigation Company was operating 356.7 miles of road.

In a report of June 30, 1903 the mileage given for the Great Northern which had been chartered in 1889 after the failure of the St. Paul and Pacific, was 4,828.63 miles.

From this comparative survey we can readily see the progress that had been made in the railroad field in a comparatively short period and somewhat of the increase of population with the increased railroad mileage. All of this makes one see more clearly why there should be a struggle for control by the great railroads.

Consolidation of railroads into large systems had its origin in the demonstrated evils of unrestricted competition. It had been learned many years before that unrestricted competition resulted in injustice and prejudice because of the instability of rates. After the rate wars of 1875 and 1878 the railroads began to enter into what was known as "pooling" agreement, by virtue of which the several companies competing, apportioned the freight in such a way as to secure stability and equality. This worked pretty well for a period of ten or twelve years but the public soon got the idea that rates could be reduced and kept low only by the unrestrained competition of carriers. As a result of this agitation

25-Poor's Manual, 1885.
in 1887 Congress passed the Interstate Commerce Act, a section of which made it "unlawful for any common carrier or carriers for the pooling of freights of different competing roads and to divide between them the aggregate or net proceeds of the earnings of such railroads or any portion thereof." This prohibition completely thwarted the attempt of the transportation systems to stabilized rates by means of reciprocal agreements. Railway managers then tried to get the same results by organizing joint-traffic associations which controlled rates through traffic concessions and co-operative adjustments. This method was fairly effective for a time but was eventually ruled out as a violation of the Sherman Anti-Trust Law.

Railroads then began to combine into large systems each of whom dominated traffic conditions over a large area. During the pooling period of 1870-1890 there was a decrease in freight rates of about 50 per cent. In the quarter of a century which ended with 1903 when nearly all the railroad combinations were formed, freight rates decreased approximately 40 per cent. The saving to shippers over the Great Northern alone in eighteen years was approximately one billion dollars.

In response to a Senate resolution of inquiry adopted Jan. 13, 1905, the Interstate Commerce Commission

27-Statutes At Large 24:380, Sec. V.
29-Ibid., p.265.
reported that in eighteen years of its existence it had heard 9,099 complaints relating to all sorts of railroad methods and practices, but not one complained of exorbitant rates.

Mr. E. H. Harriman had easily been the leader in the south and southwest in the railroad field. In 1901 Harriman acting for the Southern Pacific closed a deal for the merging of the Central Pacific, that part of the Union Pacific which united Ogden with the San Francisco terminus, with the Southern Pacific. This was the largest consolidation that has ever been made and criticism was heaped on Mr. Harriman from all sources at the time.

After the Southern Pacific was merged with the Union Pacific the heads of the big system began to covet the control of the Burlington.

Possession of the Burlington was desired by two powerful and far-sighted managers, each of whom was striving to strengthen his position in the great transportation field lying west of the Missouri. Four great roads occupied that field— the Great Northern, the Northern Pacific, the Union Pacific and Chicago, Burlington and Quincy. The first two of the four were dominated by James J. Hill and J. P. Morgan and extended from Lake Superior and Mississippi River to the Pacific Coast, but neither had an outlet in Chicago. The Burlington ran

31-Kennan: Life of Harriman, p.288.
as far west as Denver and Chicago was the eastern terminus. It ran counter to the Union Pacific and gathered up much transportation from the Union Pacific territory, so it was quite natural that both Hill and Harriman should both seek to get possession of the Burlington system.

Hill and Morgan wanted it because it would give their roads an entrance into Chicago and Harriman wanted it partly because it was a close competitor of the Union Pacific and partly because it might at any time extend its main line from Denver to the Pacific coast and thus become a rival of the Union Pacific in trans-continental as well as local traffic.

The Burlington was an excellent line. It had its own line from Chicago to St. Paul and branches, making a net work throughout Illinois, Iowa and Northern Missouri and Nebraska with termini at Denver and Cheyenne. Northwest it had a line straight up to and through the Black Hills to Billings in Montana. The total length of the line in 1901 was 7,911 miles.

Mr. Hill found it difficult to secure such a large amount of money as would be needed to purchase the controlling interest in the Burlington as the Northern Pacific had gone into the hands of the receiver during the panic of 1893 and it was not reorganized until 1896.

Late in 1899 Mr. Harriman tried to make some sort of an arrangement with the Burlington but was unsuccessful. In 1900 he suggested to the Union Pacific 32-Kennan: Life of Harriman, Vol. II, p.287.
managers that in order to prevent Hill's purchase of the road they form a stock pool and purchase a large enough block of the Burlington to prevent any other interest from acquiring control. They succeeded in purchasing 80,000 shares which they considered put them on sure footing and they accordingly suspended operations.

On the other hand Mr. Hill was exceedingly anxious to get the Burlington not only for the Chicago terminus but also it would provide produce from the prairie states of Kansas and Nebraska, for transportation to the Pacific states, Alaska, and eventually the Orient.

With this as an incentive Hill began negotiations in 1901 to buy the system outright for the joint use of the Great Northern and Northern Pacific. Harriman seems not to have known of the preliminaries of the negotiation and so for a time Hill met no obstructions to his plans. However, upon hearing of the negotiation, he invited Hill to a conference at a friend of Mr. Hill's. Here Harriman proposed to furnish one-third of the purchase price and receive in return one-third interest in the Burlington. Mr. Hill refused and gave as his reason for refusal that it defeated his purpose in buying the road.

Harriman realized he had lost the Burlington and so decided to strike in another direction by buying

34-Kennan: Ibid., p. 297.
a majority of the capital stock of the Northern Pacific. By that means he would not only control that company but also the half interest which had just previously been acquired in the Burlington. He at once began buying up stock and Mr. Hill was on the Pacific Coast at the time. By the time Hill learned of the transactions, Harriman had purchased 750,000 shares which as a whole of both preferred and common stock was a majority, but he lacked 40,000 shares of common to have a majority in it alone. He sent an order to buy the 40,000 needed shares but the brokers failed to execute the order. Morgan bought 150,000 shares and thus the struggle for the control of the Burlington came to an end. The fight had been won by Morgan and Hill.

Although the contest for the control of the Northern Pacific and Burlington had been more or less secret, the rapid increase in price of shares caused great excitement in Wall street and the Northern Pacific panic resulted. The market went wild and shares sold as high as $1,000. Harriman proposed to Morgan and Company that the "shorts" be permitted to be settled with both firms at $150 a share for all the Northern Pacific commons that had previously been sold. Thus things were tided over and money soon became comparatively easy again.

36-Ibid., p. 310.
37-Ibid., p. 314.
During the early part of May 1901 conferences were almost constantly in session in the offices of Morgan and Company and late in the month the publication of the following statement was made:

"It is officially announced that an understanding has been reached between the Northern Pacific and Union Pacific interests under which the composition of Northern Pacific board will be in the hands of J. P. Morgan. It is asserted that complete and permanent harmony will result under the plan adopted, between all interests involved." 38

The agreement was signed by Kuhn Loeb and Co., Morgan, Hill and Harriman. According to the agreement Mr. Morgan was to select the directors, the Union Pacific was to have certain trackage rights over the Northern Pacific between Portland and Seattle, and the Burlington was to remain neutral and could not embark upon any new enterprise in the west without the consent of Harriman and the Union Pacific Company. 39

With the Burlington control settled Mr. Hill proposed that a holding company be formed to be known as the Northern Securities Company, in order to secure the unified control of the Great Northern. He proposed that the company should acquire stock of both the Great Northern and Northern Pacific and issue in lieu thereof stock certificates of its own. 40

39-Ibid., p. 322.
40-Ibid., p. 331.
The company was incorporated in November 1901 with a capital stock of $400,000,000. The first board of directors consisted of sixteen members, six of whom represented the Northern Pacific, four the Great Northern, three, including Harriman, the Union Pacific and two not representing any particular interest.

The new corporation was almost immediately attacked on the ground that it was a combination in violation of the Sherman Anti-Trust Law. People in the Northwest particularly thought that any combination or agreements between railroads were for the purpose of advancing or maintaining rates. In March 1902 the Federal government brought suit against the Northern Securities Company and also the State of Minnesota brought suit as an alleged attempt of restraint of trade. After two years of litigation the state case was dismissed while the Federal case decided against the company by a decided court on the basis of the clause concerning "free competition." However, the combination was not as the people supposed, an attempt to increase rates but was merely the result of those great railroad men to extend trade and transportation systems to the Orient, for Harriman already had a trans-Pacific Steamship Company, while Hill was building on the Northwest coast two of the largest steamers the world had had up to that date.

time, for the carrying of the Oriental trade.

Thus the two large systems of railroads, Morgan and Hill lines and the Harriman lines, were well established and though competition was permanent, something of the enmity had been taken away from their relationships.

There is little doubt but that the railroads had more to do with the settlement and development of the Pacific Northwest than any other factor of influence. The railroads have brought the United States into a union that had for so many years seemed impossible, because of the many barriers separating the East and West. Modern engineering has overcome the topographical barriers and other sciences and the growing endurance of generations have aided in overcoming other difficulties.

Today the bulk of America's greatest product, wheat, is raised and transported from the West and the Northwest. The railroads solved the great problem of transportation that faced both Canada and the United States. Again, the development of the Northwest by the railroads has increased and facilitated the long desired Oriental trade.
BIBLIOGRAPHY


Statutes at Large, Vol. 14, 15.

Miscellaneous Documents, 1852 and 53.


Census for 1890.


