

## **Disorder in Modernity**

### **A New Revisionist History of Railroads in the U.S.**

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**Historians of business have looked at the development of railroads in the U.S. as a time of “managerial revolution.” Richard White’s latest book shows the role played by disorder and sheer contingency in this process, and runs counter to a view of economic modernity as the history of a rationalization. Business, in his view, was never just business.**

**Reviewed:** Richard White, *Railroaded. The Transcontinentals and the Making of Modern America*, New York, W.W. Norton & Company, 2011, 660 pages.

In his latest book, Richard White follows a time-honored historical tradition and focuses on railroads to pursue a critical exploration of the meaning of economic modernity. The “new economic historians” of the 1960’s challenged the theory of “leading sectors” in economic growth, and brought historical perspective on the relation between public infrastructures and private enterprise. The business historians who equated economic modernity with large organizations run by efficient managers also turned to the railroads to seek the nineteenth-century roots of their “managerial revolution”<sup>1</sup>. In *Railroaded*, the economic modernity

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<sup>1</sup> Albert Fishlow, *American Railroads and the Transformation of the Antebellum Economy*, Cambridge Mass, Harvard University Press, 1965. Robert W. Fogel, *The Union Pacific Railroad, A Case in Premature Enterprise*, Baltimore, Johns Hopkins Press, 1960. R. W. Fogel, *Railroads and American Economic Growth: Essays in*

epitomized by the Western railroads becomes a state of perpetual crisis, a process of “creative destruction” in which entrepreneurs actually destroy more than they create.

White explores the history of one of the most important business ventures of the Gilded Age, the period between the American Civil War and the mid-1890's. The successive spurts of railroad construction in the West of the United States, and later in Western Canada and Mexico brought the total railroad mileage in the country from 30, 600 in 1862 to 167,000 in 1890. The Union Pacific-Central Pacific line completed in 1869, along with some of its successors, received government subsidies in the form of federal loans and public land grants. In the late 1870's and 1880's, the transcontinentals also served as a magnet for international capital flows from Europe to the United States.

In *Railroaded*, however, the history of the Western railroads unfolds as a chaotic voyage through financial crises and social conflict, spelling economic instability, environmental damage and political corruption. Contrary to Schumpeter's creative entrepreneurs, who disrupted established practices to usher in a new order, the promoters of the Western railroads called on government first to support premature enterprises, then to help them reorganize in the wake of financial crises, and finally gave up an industry that came to appear as an ailing, declining industry. The Western railroads never reached a stage of maturity (p. 515).

### **The Unexpected Combination of Quite Particular Circumstances**

White brings this story to life through a grand narrative, which fits his view of economic history as a contingent process, the “unexpected combination of quite particular circumstances” (p. 516). Well-known railroad promoters like the California “Associates” take center stage, along with a few railroad managers. The cast includes a great many secondary characters, whose connection with the Western railroads is the subject of vignettes attached to each chapter. Within this format, Richard White broaches a variety of themes, including railroad finance and management, political lobbying, the perception of space induced by railroad rates and

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*Econometric History*, Baltimore, Johns Hopkins Press, 1964. Alfred Chandler, *The Visible Hand. The Managerial Revolution in American Business*, Cambridge, Harvard University Press, 1977.

commercial policies, labor relations, anti-monopoly movements and the settlement of the Great Plains. Interspersed in the discussion of these themes are detailed accounts of important events like the financial crises of 1873 and 1893, the anti-Chinese riot of 1885 in Rock Springs, Wyoming, and the great railroad strikes of the 1880's and 1890's.

The book is based on a truly impressive set of primary sources taken from archive repositories scattered in different parts of the United States and supplemented by contemporary publications, including late-nineteenth century articles on railroad economics. It also cuts across various sub-disciplines of history, and incorporates recent work in labor history as well as maps that exemplify the new "spatial turn" in history<sup>2</sup>. Following in the footsteps of the new economic historians, although with different materials and more empirical methods, White questions the assumption that the obvious technological advantages of railroad technology spawned significant economic and social benefits, even in the relatively isolated regions of the West. He also goes a step further by contrasting the personal fortunes that came out of construction contracts and financial transactions with the poor record of railroads as business institutions: many transcontinental railroad corporations defaulted on their loans and ended in receivership, turning to the American courts to help them devise and impose financial reorganization plans.

*Railroaded* makes an important contribution to the critique of the Chandlerian synthesis in business history, which cast railroads as harbingers of order and railroad managers as the heroes of a new bureaucratic rationality. White shows disorder lurking within business organizations. In close-up, the classical opposition between reckless speculators and professional managers becomes less relevant. Thomas A. Scott, the leading executive of the Pennsylvania Railroad, who was also president of the Union Pacific in 1871-1872, is a case in point: "Tom Scott was, depending on the place and moment, a salaried manager, an investor, and a

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<sup>2</sup> As the former director of the "Shaping the West" project of the Stanford Spatial History Laboratory, Richard White is a leading proponent of the "spatial turn" in history. The phrase is associated with the sophisticated computer-assisted techniques that enable researchers to create and use geodatabases. The analysis of the political, social and economic construction of space is not new, as White acknowledges when he refers to Henri Lefebvre's *La Production de l'espace* (1974). However, the digitalization of historical records can shed new light on historical problems such as land speculation or railroad rates. For further information, see the website of the Stanford Spatial History Laboratory (<http://www.stanford.edu/group/spatialhistory/cgi-bin/site/page.php?id=1>).

speculator” (p. 232). Confronting public statements and organizational charts with business correspondences and personal diaries, White highlights the gap between intentions and actual achievements. The well-educated and self-confident New Englander Charles Francis Adams Jr. was unable to establish a managerial order while at the helm of the Union Pacific between 1884 and 1890. He ended up participating in the rush of competitive railroad building of the 1880’s, which he viewed nevertheless as an “immense waste of opportunity and wealth” (p. 210). Engineers and economists may have conducted a systematic reflection on the costs of transportation, but “[in] practice pricing according to what the traffic would bear meant traffic managers set rates experimentally and then modified prices as necessary. Prices were educated guesses constructed by trial and error and varied according to immediate circumstances.” (p.162) Railroad rates and commercial policies distorted common perceptions of absolute space and produced a highly contentious and unstable relational space. The same critical perspective is applied to the sophisticated cost and financial accounting systems which are generally considered as the hallmark of the modern business corporation. The financial records and reports issued by corporations were not closely scrutinized as long as interest on corporate bonds was paid on a regular basis, but when default actually subjected them to careful analysis by accounting experts, they proved quite vague and unreliable (p. 375-76).

### **Revisionism Revised**

While Richard White’s history of the Western railroads challenges the modernization theories in vogue in the 1960’s and 1970’s, it does not replicate the arguments of the early-twentieth century critics of the Gilded Age who cast capitalists as “robber barons”<sup>3</sup>. The railroad promoters, financiers and managers do not appear as powerful monopolists locked in pitched battles against the “people.” White shows that the fierce competition between rival business groups often ended up in stalemate and blurred the line between the friends and the enemies of the railroad companies. Thomas Scott failed to secure Congressional support for the Texas Pacific, the transcontinental line that he had planned to build across the South. The Congressional lobbies assembled by the Western railroad promoters may have disrupted public

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<sup>3</sup> Matthew Josephson, *The Robber Barons. The Great American Capitalists, 1861-1901*, New York, Harcourt, Brace and Company, 1934.

debates and decision-making, but White characterizes them as “inchoate networks” of unreliable political allies (p. 101). Furthermore, the barriers separating the friends of the railroad from reformers appeared as “more and more porous” over the years (p. 127). Many railroad lobbyists switched from one patron to another or went back and forth between the promotion of railroad interests and the denunciation of monopolies.

White devotes excellent pages to the fractures of the antimonopoly movement: neither the appeal to white man republicanism against “unfree” contract labor nor the rhetorical assaults on corporate privilege and rate discrimination cemented stable coalitions. Many shippers and farmers actually used the same methods as the railroad companies and saw competition merely as a “tool for restraining prices” (p. 329, 332). The intellectuals and journalists who authored “muckraking” pieces against corporations often agreed with railroad executives like Charles Francis Adams about the wastefulness and inefficiency of competition. Overall, however, this perceptive treatment of the anti-monopolist movement contrasts with the portrait of the railroad executives and managers, whose problems are not thoroughly discussed in the book. The pervasiveness of the rhetoric of fraud, incompetence and corruption in the quotations from White’s fascinating source materials leaves the reader with many questions on what these notions meant at the time, particularly to these businessmen.

Although professional historians may feel frustrated with the profusion of stories and portraits, which get in the way of the full development of White’s many insights into the social, political and economic history of the late 19<sup>th</sup> century, *Railroaded* also unveils the complex dynamics of business and labor relations in the period. Competition and conflicts of interests between financiers, managers and entrepreneurs intersected both with labor strife and deep divisions within the ranks of railroad workers. This made the outcome of social and political conflict often quite unpredictable. The Great Burlington strike of 1888 exposed the rift that separated the Brotherhood of Locomotive Engineers from the Knights of Labor, whose strongholds were in the railroad shops. But the managers of competing roads also took advantage of the situation to “boycott Burlington cars” and “actively sought to take business from the Burlington” (p. 346). Social conflict compounded the problems encountered by railroad

managers in their relations with financiers: White found that “[interspersed] in the same railroad correspondence that traced the labor difficulties of the Great Upheaval of 1886 and the Burlington strike of 1888 were letters detailing the dismay and panic of western railroad men as renewed rate wars and competitive building caused western railroad stocks to plummet” (p. 347). In politics, the debates over railroad regulation or over the refunding of the Pacific Railroad debt to the federal government temporarily brought together strange bedfellows, anxious Wall Street “bears” and antimonopolists. Thus *Railroaded* highlights the persisting relevance of chronology and archival research in social and economic history, particularly for understanding the roots of the financial crises of the Gilded Age.

### **Business Was Never Just Business**

Most importantly, the book challenges the relegation of economic issues to separate sub-fields of history and their neglect in the larger narratives of North American history (p. 538, n.8). White’s vivid and occasionally satirical style echoes current controversies about 21<sup>st</sup>-century financial capitalism. But *Railroaded* also opens new research perspectives and points to different ways in which business and economic history could be brought back into the fold of general history. For example, White offers various interesting suggestions on the history of economic theories. Nineteenth-century economic theories on railroad rates and labor wages did not simply reflect economic practices, but they made sense to historical actors in other ways: while the academic pioneers of American marginalism like John Bates Clark worked to drop the notion of fixed value from the classical economic theory, railroad financier Jay Gould tried to persuade his many enemies that “the value of securities, like the value of assets, was simply what people were willing to pay for them” (p. 189). Some union leaders also acknowledged that labor had no fixed value in modern society, but they viewed this situation as grounded in “class privilege, power and choice” rather than as a natural law (p. 316).

The cultural dimension of business, management and work relations represents another promising avenue of research, mostly explored by labor historians so far, but relatively neglected by business and economic historians. White notes that business “was never just business in the late nineteenth century; it was deeply personal, involving judgments of manhood and character”

(p. 395). These observations cannot be easily reconciled with the categories of order and disorder, nor do they fit conventional definitions of the core problems of business as the proper response to market forces and the defense of rational choices in a world of otherwise irrational human beings. *Railroaded* may raise too many important questions for a single book, hence perhaps White's final emphasis on contingency as the mark of history, but it should spark stimulating exchanges between historians, economists and social scientists. Although the notion of contingency may be seen as a refuge, or as an acknowledgment of the limits of scientific knowledge, it is also invoked in the American context to undermine teleological interpretations of history. Thus *Railroaded* helps preserve the search for alternatives to the present troubled state of modern capitalism.

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