

**THE CHICAGO AND
ALTON CASE:
A MISUNDERSTOOD
TRANSACTION**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649327614

The Chicago and Alton Case: A Misunderstood Transaction by George Kennan

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

GEORGE KENNAN

**THE CHICAGO AND
ALTON CASE:
A MISUNDERSTOOD
TRANSACTION**

THE CHICAGO & ALTON CASE
A MISUNDERSTOOD TRANSACTION

The Chicago & Alton Case

A Misunderstood Transaction

By George Kennan

UNIVERSITY OF
CHICAGO PRESS

The Country Life Press
Garden City, New York

HE 2791
-C55K4

Copyright, 1916, by
GEORGE KENNAN

THE UNIVERSITY OF
MICHIGAN LIBRARY

62-

THE CHICAGO & ALTON CASE
A MISUNDERSTOOD TRANSACTION

323588



The Chicago and Alton Case: A Misunderstood Transaction

No episode, perhaps, in the career of the late E. H. Harriman has been more severely criticised by the Interstate Commerce Commission, by certain members of Congress, and by an ill-informed part of the public than the reorganization of the Chicago & Alton Railroad in 1899 and 1900. It excited little comment at the time, but when, long afterward, the Government began its campaign against Mr. Harriman, through the Interstate Commerce Commission, the transaction was characterized as "indefensible financing," and was described as the "crippling," "looting," and "scuttling" of a well-managed and prosperous railroad by a syndicate of unscrupulous financiers in which Mr. Harriman was the "main conspirator."¹

The Chicago & Alton Railroad, when Mr. Harriman became connected with it, was an

¹Reports of the Interstate Commerce Commission, Vol. XII, pp. 301-303; statement of Senator Cullom, New York *Independent*, Vol. LXII, p. 692; "Railroads: Finance and Organization," by Prof. W. Z. Ripley, pp. 262-267. N. Y., 1915.

THE CHICAGO AND ALTON CASE

apparently prosperous and well-managed road. It had paid dividends of 8 per cent. on its invested capital for thirty years or more; its credit was good, and its shares of common and preferred stock were selling at from 75 to 100 points above their par value. From a financial point of view, it seemed to be as strong as any railroad of its class in the Middle West. Unfortunately, however, its managers had pursued an ultra-conservative policy in the matter of expenditures, and had neglected, for a long time, to make necessary appropriations to cover depreciation, and to provide for extensions, betterments, replacements, and additional equipment. The road had grown old without improving in physical condition; and had become more or less incapable of rendering the service demanded by a rapidly growing and developing territory. Speaking of this state of affairs, the well-known economist, Prof. E. S. Mead, says:

“The condition of the Alton was far below that of its competitors. The standards of construction were those of fifteen years before. The track was laid with steel rails, but these were only seventy pounds to the yard. The bridges were in good condition, but were too light for heavy engines. The capacity of the