

THE ALABAMA AND CHATTANOOGA RAILROAD COMPANY

1868-1871

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By

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CHAPTER I

THE FORMATION OF THE ALABAMA AND CHATTANOOGA RAILROAD COMPANY

The Alabama and Chattanooga Railroad Company was formed in December, 1868, out of the purchase of the North East and South West Alabama Railroad by the Wills Valley Railroad Company to build a railroad diagonally across the northern half of Alabama, connecting Chattanooga and Meridian.

The North East and South West Railroad Company had been incorporated on December 12, 1853, to construct a railroad from some point on the Southern Railroad near Marion, Mississippi, through Eutaw, Tuscaloosa, and Elyton, and from there to one of the railroads leading to Knoxville, Tennessee.¹ The Wills Valley Railroad Company had been incorporated on February 3, 1852, to build a railroad from some point on the Alabama and Tennessee Rivers Railroad through De Kalb County, to some point on the Georgia and Tennessee Railroad in Lookout Valley.² On

1. Acts of Alabama, 1853-1854, pp. 270-280.

2. Ibid., 1857-1858, pp. 161-162.

February 6, 1858, the General Assembly had authorized the two companies to consolidate,³ but they were not consolidated before the Civil War.

The two companies emerged from the Civil War completely independent of each other. Of the two the Wills Valley Railroad was in much better condition. Its total assets were \$1,100,000 while its liabilities were only \$454,000. Its twenty miles of track running southwestward from Chattanooga which the war had left in "fair running condition"⁴ had been repaired. During its first four months of operation after the war the Company had earned \$6,460.00, while it expended \$8,806.20. However, the expenditures included the cost of repairing the war damages. On May 1, 1868 business prospects looked favorable.⁵

The North East and South West Railroad Company was in much worse condition. On November 8, 1865, the company valued its total assets at \$1,786,231.85, most of which was in land grants which would probably be lost, and its

3. Ibid., 1851-1852, p. 178.

4. "President's Report to the stockholders of Wills Valley Railroad Company," May 1, 1866, House Report No. 34, 39th Congress, 2nd Session, IV (1866-1867), 1021-1024.

5. Ibid.

total liabilities were \$693,156.07. If the land grants were retained, this would leave only \$1,093,075.78 with which to complete the road, and it would take \$2,575,919 to complete it. Of the entire line only the twenty-seven miles between Meridian and York Station had been completed, and the grading which had been done north of York Station had weathered badly during the war. After an unsuccessful attempt to complete a portion of the road, the stockholders authorized their president, Robert Jemison, Jr.,⁶ to sell the road,⁷ but he was unable to find a buyer.

6. Robert Jemison was born in 1802, near Augusta, Georgia. He studied law at the University of Georgia. In 1826 he moved to Pickens County, Alabama, where he was a planter until 1830. In 1836 he moved to Tuscaloosa, Alabama, and established a saw mill, flour mill, toll-bridge, and a stage coach line. He served on the state legislature 1840-50 and the State Senate, 1851-63. In 1861 he represented Tuscaloosa County at the Alabama secession convention, where he was the leader of the group opposed to secession. In 1863 he was elected to the Confederate Senate, where he served until the end of the war. He assisted in promoting the Selma, Rome, and Dalton Railroad and the North East and South West Alabama Railroad. He became president of the latter in 1863. He died in 1871. Thomas M. Owen, History of Alabama and Dictionary of Alabama Biography, Vol. III, p. 902.

7. Minutes Book of the meeting of the Board of Directors of North East and South West Railroad Company, Ledger Book 6, Jemison Papers, p. 445. Hereinafter cited as Minutes Book. The Jemison Papers are located in the Alabama Collection of the University of Alabama Library.

On February 19, 1867 the General Assembly passed an act which stimulated interest in railroad building in Alabama. This act provided that when a railroad completed and equipped twenty miles of continuous track, the Governor was authorized to endorse its first mortgage bonds at the rate of \$12,000 per mile and to endorse its bonds at this rate for each subsequent twenty miles finished until the road was completed. Railroads which extended outside the state were eligible to receive the benefits of this act if the governor was convinced that they would be completed in a reasonable length of time, but railroads that owed the state money were not eligible until they had settled their debts to the state.⁸

This act did not alter Jemison's efforts to sell the North East and South West, since it owed the state over \$300,000⁹ for a loan it had received from the three per

8. Acts of Alabama, 1866-1867, pp. 685-694. Bonds were also to be endorsed for the construction of bridges. If the bridges were constructed of wood, the bonds were to be endorsed at the rate of sixty dollars per lineal foot, and if constructed of iron at the rate of one hundred dollars per lineal foot. These bonds constituted a lien on the roads and could not be sold for less than ninety cents on the dollar. To be eligible under this act a road must be at least thirty miles long, and the president and a majority of the directors must live within the State.

9. On December 16, 1868, this debt was \$316,859.32. Copy of the account of the North East and South West Alabama Railroad Company with the State of Alabama, November 11, 1868, Jemison Papers, Folder 9.

cent fund.¹⁰ By May 26 he had made a contract to sell the Company to J. C. Waddell of Vicksburg, but Waddell refused to sign the contract on discovering he could not settle the debt to the state with the governor, R. M. Patton.¹¹ During April, 1868, Jemison sold the company to Adams, Scott, and Associates,¹² a company composed of the

10. The three per cent fund had been established when Alabama was admitted to the Union in 1819. Three per cent of the proceeds of the sale of government land in Alabama was to be given to the State of Alabama to be used for internal improvements. The state had placed this money in the State Bank. When the bank failed the State lost the fund. By an Act of February 18, 1860, the General Assembly recreated the three per cent fund and loaned portions of it to various railroads. Under this Act the North East and South West Railroad was loaned \$218,000 and the Wills Valley \$75,000 for five years at the rate of six per cent. Each loan was secured by a bond for double the amount of the loan constituting a mortgage on the whole road, and the governor was empowered to sell the road upon failure of either road to make payment. Acts of Alabama, 1859-1860, p. 54; William E. Martin, Internal Improvements in Alabama, pp. 68-72.

11. Minutes Book, p. 473 and p. 119. Robert Miller Patton was born in 1809 in Russel County, Virginia and died in 1885 in Sweet Water, Alabama. In 1829 he moved to Florence, Alabama, where he operated a large plantation. He was elected to both the house and senate, being President of the senate several times. He was a member of the state secession convention, where he opposed secession. During the war he was a Confederate commissioner. He was Governor of the State from 1865 to 1867. After that he was engaged in railroad building. He was President of the Wills Valley Railroad Company and later of the South and North Alabama Railroad Company. Thomas McAdory Owen, History of Alabama and Dictionary of Alabama Biography, Vol. IV, p. 1328.

12. Robert Jemison, Jr., to George C. Waddell, April 30, 1868, Jemison Papers, Letterbook VI, p. 855.

principal bond holders of the North East and South West,¹³ under the stipulation that they would receive the company's assets and pay off its liabilities. Since their \$231,800¹⁴ in bonds plus interest made up a large part of the company's \$818,977.14 total liabilities,¹⁵ settlement of the debt to the state would leave less than one third of the total liabilities to pay off. Besides, settlement of this debt would make it possible to finance the construction of the road by the sale of state endorsed bonds. However, Scott, Adams, and Associates encountered the same obstacle Waddell had encountered, namely Governor Patton.

Governor Patton, who was president of the Wills Valley Railroad Company, had his own plans for the North East and South West Railroad. On May 23 he had written Jemison suggesting that the North East and South West and the Wills Valley be consolidated under the Boston

13. The company Scott, Adams, and Associates was composed of Jesse Adams, Thomas Scott, W. A. C. Jones, and C. E. Rushing. Scott and Adams owned \$165,000 of the bonds issued by the North East and South West, Jones owned \$47,600, and Rushing owned \$19,200. The total amount the North East and South West owed all of its bond holders was \$276,957.67. "Statement of Bonds of the North East and South West Alabama Railroad Company," n. d., probably October, 1868⁷, Jemison Papers, Letterbook H, p. 156.

14. Ibid.

15. "Statement of Assets and Liabilities," March 1, 1867, Jemison Papers, Folder 9.

capitalists who controlled the Wills Valley Company.¹⁶
 Soon afterward Jemison went to Montgomery to confer with Patton, but no agreement could be reached, because both roads were subject to liens and encumbrances.¹⁷

On June 13 Jemison went to Mobile to discuss the possibility of consolidation with the Wills Valley with Scott, Adams, and Associates. They agreed to consolidation and appointed Jemison their general agent to look after their interests.¹⁸

On June 19 Jemison wrote Patton that the North East and South West's debt to the state was the only obstacle in the way of consolidation. On the next day Governor Patton requested that Jemison come to Montgomery so that this debt could be settled before he left office. Jemison went to Montgomery, but the debt was not settled, because Jemison would not agree to consolidate on Patton's terms. When Patton failed to get the terms he desired from

16. Report of President R. Jemison, Jr., to the Directors of the North East and South West Alabama Railroad Company, September 15, 1868, Letterbook H, p. 70. Hereinafter referred to as Report of Jemison. This report was Jemison's defence of his refusal to consolidate with the Wills Valley Railroad. In using this report the author has tried to make allowance for this bias and also, has attempted to check the report with other evidence. In the author's opinion Jemison's description of his dealings with Governor Patton is essentially correct, while the reasons he gives for his actions are questionable.

17. Ibid.

18. Ibid.

Jemison "he discovered very suddenly he had been quite remiss in his duty in not advertizing and selling the Road under the mortgage to the State." Patton carried out his duty in the case of North East and South West Railroad Company, despite the fact that he neglected it in the case of four other roads, one of which was the Wills Valley. To check Patton's move Jemison advised Scott, Adams, and Associates to sell the company's land grant under the deed of trust to the bondholders.¹⁹

Patton and Jemison carried their fight into the General Assembly. By July 4 Governor Patton had introduced two bills into the legislature, one to amend the charter of the Wills Valley Railroad Company and the other to amend the charter of the New Orleans, Mobile, and Chattanooga Railroad Company.²⁰ Jemison succeeded in delaying the passage of the first bill until July 20, the day before Patton left for Boston. This act greatly strengthened Patton's position by extending the Wills Valley's southwestern terminus to Elyton and giving it the right to consolidate with any road it chose.²¹ With

19. Ibid., pp. 71-73.

20. Ibid. The New Orleans, Mobile, and Chattanooga Railroad Company was chartered by the legislature November 24, 1866, for the purpose of building a railroad from Mobile westward to New Orleans and northward to Chattanooga. Acts of Alabama, 1866-1867, pp. 6-18.

21. Acts of Alabama, 1868, p. 5.

Patton out of the way Jemison struck back by getting the General Assembly to suspend sale of the North East and South West.²² However, he failed to prevent the passage of the bill amending the charter of the New Orleans, Mobile, and Chattanooga Railroad Company so that it could consolidate with any road it chose.²³ The passage of Patton's two bills apparently greatly disturbed Jemison because, on August 15 he wrote Scott:

Indeed I cannot imagine any further or additional power the legislature can grant them. . . . If they can now [?] procure a liberal land grant from Congress. . . . No road can successfully [sic] compete with this mammoth corporation. Like Aarons Rod it may swallow up all other Rail Road Corporations within the State.²⁴

Patton seems to have been using the threat of consolidation with the New Orleans, Mobile, and Chattanooga Railroad to secure more favorable consolidation terms from the North East and South West. On August 8 he wrote J. H. Fitts of Tuscaloosa from Boston that he had been made an offer of consolidation by the New Orleans, Mobile,

22. Ibid.

23. Acts of Alabama, 1868, pp. 127-128.

24. Robert Jemison, Jr., to Thomas Scott, August 15, 1868, Jemison Papers, Letterbook H, pp. 15-17.

and Chattanooga Railroad Company but that he preferred to consolidate with the North East and South West. He said that he was bringing a group of Boston capitalists south with him and that he would like to know if some agreement could not be made between the two railroads and these capitalists.²⁵ Fitts gave this letter to Jemison, who answered it in a letter, the tone of which showed Jemison's annoyance with Patton for not dealing directly with him. In this letter Jemison said he had rejected Patton's offer because it was "ruinous to the interest" he represented and because it was obvious from Patton's remarks and actions that he wanted to build "only such portions and parts" of the North East and South West Railroad "as might suit the views and interests of the W. V. R. R. Co. and the N. Orleans, Mobile & Chattanooga R. R. Co."²⁶ Jemison again offered Patton the same terms of consolidation he has previously offered him:²⁷ first, the basis of consolidation was to be either the amount expended on each

25. Robert Jemison, Jr., to J. H. Fitts, August 8, 1868, Jemison Papers, Letterbook H, pp. 15-17.

26. R. Jemison, Jr., to R. M. Patton, August 15, 1868, Letterbook H, p. 23.

27. Ibid., p. 24.

road--\$500,000.00 in the case of the Wills Valley Company and \$1,500,000.00 in the case of the North East and South West Company--or the value of the respective roads as ascertained by competent judges; second, each road was to receive this value in the second mortgage bonds of the new road and was to pay off its own liabilities; and third, the Wills Valley Company was to be given a majority of the stock of the new company. As an alternative to consolidation, Jemison offered to give Patton all the assets of the North East and South West if he would pay off all of its liabilities.²⁸

Patton's letter touched off a conflict between the directors and the bondholders of the North East and South West which had been brewing for some time. The directors were willing to sacrifice the interests of the bondholders in order to settle the company's obligations to the state because, if the road were sold under the mortgage to the state for less than the amount the company owed the state, the directors would be liable for the difference.²⁹

28. R. Jemison, Jr., to C. E. Rushing, September 5, 1868, Jemison Papers, Letterbook H, pp. 56-57.

29. R. Jemison, Jr., to Thomas Scott, August 16, 1868, Jemison Papers, Letterbook H, pp. 112-114.

However, the directors were going to find it difficult to sacrifice the interests of the bond holders. Following Jemison's advice, the bondholders had forced the sale of the company's land grant and on August 27, Jones, acting as agent for Scott, Adams, and Associates, had purchased 289,555.58 acres of the company's land grant at from one half to one cent per acre.³⁰ Patton would have to make settlement with Scott, Adams, and Associates if he wanted these lands. Jemison was not satisfied. He advised Scott to sell the road and its franchise before the legislature convened and sold the road,³¹ but Scott did not follow this advice.

On September 2, Jemison called a meeting of the Board of Directors for September 15, 1868, to let Patton explain his plan,³² and to give himself an opportunity to defend his actions during his negotiations with Patton. Jemison's duty as president and his duty as general agent for Scott, Adams, and Associates conflicted. The

30. R. Jemison, Jr., to C. E. Rushing, August 28, 1868, Jemison Papers, Letterbook H, pp. 45-46.

31. R. Jemison, Jr., to Thomas Scott, August 27, 1868, Letterbook H, p. 43.

32. R. Jemison, Jr., to Mrs. M. C. Hutton, September 2, 1868, Jemison Papers, Letterbook H, p. 51.

situation became so embarrassing that Jemison planned to resign the presidency of the company if this meeting did not change the situation.³³

Adding to Jemison's embarrassment, the Tuscaloosa Independent Monitor urged the North East and South West to consolidate with the Wills Valley. On September 8 the Monitor printed an extract from a letter from D. L. Dalton, Patton's secretary, to Alfred Battle in which Dalton said that certain Boston capitalists were going to build the Wills Valley Railroad and that they were anxious to build the North East and South West Railroad if they could negotiate with the present owners. Dalton felt sure these capitalists could complete the two roads, because he knew them well. "For twenty-five years," he said, "they have been building Railroads, and have done more than any other firm in that line in the U. S." The letter was followed by an editorial comment:

By all means let the 'present owners' at once 'negotiate an arrangement' with these Boston capitalists. . . . We have been hearing of the N. E. & S. W. Railroad long enough--it is becoming high time to see it. Let there be favoritism in this matter no longer; but give the contract to men whose means are adequate for the completion of the important job.

33. R. Jemison, Jr., to C. E. Rushing, September 5, 1868, Jemison Papers, Letterbook H, p. 59.

The meeting of Board of Directors was a total failure. Patton did not attend the meeting,³⁴ and Jemison failed to regain the support of the directors. In an attempt to do so, Jemison reviewed the negotiations with Patton, contending that his actions as president had not been influenced by his connections with Scott, Adams, and Associates.³⁵ He reported that he had made arrangements with Governor William H. Smith, the Republican who had replaced Patton in July, 1868, to settle the debt to the state. Once this was settled, Scott, Adams, and Associates would either complete the road themselves or give their contract to someone who could complete it.³⁶ However, Jemison advised the board to consolidate with the Wills Valley if Patton would agree to complete the entire road in a reasonable length of time and if he would make suitable provision for the payment of the company's debts.³⁷

34. R. Jemison, Jr., September 16, 1868, Jemison Papers, Letterbook H, p. 106.

35. Report of Jemison, pp. 70-79 and 86-89.

36. Ibid., pp. 89-91. At the last meeting the board adopted a resolution giving Scott and Adams until October 1 to close their contract or the board would take over the road. Scott and Adams would not be able to fulfill their contract by that time.

37. Ibid., p. 104.

The directors had not been fooled by this report. According to Jemison the directors present, "showed their distrust and dislike of what has been done in a most unmistakable manner."³⁸ On the next day the directors held a secret meeting and appointed J. H. Fitts, a bondholder from Tuscaloosa, representative to negotiate with Governor Patton,³⁹ but Fitts declined this position.⁴⁰ The directors' action apparently worried Jemison because on September 18 he asked Jones to go to Montgomery to "sound out" Patton.⁴¹ The appointment of Judge A. J. Walker and N. L. Whitfield as a committee to draw up a contract with the Wills Valley Company apparently induced Jemison to go to Montgomery, because both he and Jones attended a meeting between this committee and the representatives of the Wills Valley soon afterward.⁴²

38. R. Jemison, Jr., to C. E. Rushing, September 17, 1868, Jemison Papers, Letterbook H, pp. 118-120.

39. Ibid.

40. R. Jemison, Jr., to C. E. Rushing, September [18], 1868, Jemison Papers, Letterbook H, p. 121.

41. R. Jemison, Jr., to W. A. C. Jones, September 18, 1868, Jemison Papers, Letterbook H, p. 122.

42. W. A. C. Jones to Judge Reavis, March 14, 1872, Jemison Papers, Folder 10. This meeting probably took place between September 18 and October 5, since no letters appear in Jemison's letterbooks between these dates. The representatives of the Wills Valley Road were probably Patton and J. C. Stanton, who was in Montgomery at this time.

At about the time this meeting was taking place, the General Assembly had given added incentive to the two roads to stop squabbling and start building. On August 7 it had amended the act allowing the Governor to endorse the bonds of Alabama railroads so that bonds could be endorsed for every five miles completed after the initial twenty miles had been completed.⁴³ On September 22 this act was again amended to make these bonds endorsable at the rate of \$16,000 per mile instead of \$12,000 per mile. A special clause of this act made the Wills Valley eligible⁴⁴ to have its bonds endorsed.

The General Assembly had given Patton all he had requested, and he was ready to start building.⁴⁵ On October 3 he made an agreement for the consolidation of his road with the North East and South West Railroad,⁴⁶ in which he "gave in" on the issue that had thus far kept him and Jemison from coming to an agreement, namely the

43. Acts of Alabama, 1868, pp. 17-19. Cf. ante, p. 4.

44. Acts of Alabama, 1868, pp. 198-203.

45. James G. Jones to Robert Jemison, Jr., September 29, 1868, Jemison Papers, Folder 9.

46. Copy of the contract between the North East and South West Alabama Railroad Company and the Wills Valley Railroad Company, November 18, 1868, Jemison Papers, Folder 10. Hereinafter cited as Agreement of November 18.

debt to Scott, Adams, and Associates. By this agreement they were to be paid in full in the second mortgage bonds of the new company.⁴⁷ By another agreement Jemison and Jones were to supply the Wills Valley Company with an indemnity against the creditors of the North East and South West.⁴⁸

On October 5 the General Assembly passed an act permitting the two companies to consolidate which rendered the indemnity that Jemison and Jones were to give the Wills Valley ineffectual by making the new company liable for the debts of the two consolidating companies.⁴⁹ This act caused the consolidation plan to be given up for a new plan by which the Wills Valley would purchase the North East and South West at an auction to be held under the provisions of the mortgage to the state. Under the law the money received from this sale would be used to pay the debt to the state and, if there was any money left, it would be used to settle the other liabilities. Thus, the

47. R. Jemison, Jr., to Thomas Scott, October 8, 1868, Jemison Papers, Letterbook H, p. 128.

48. W. A. C. Jones to Judge Reavis, March 14, 1872, Jemison Papers, Folder 10.

49. Acts of Alabama, 1868, pp. 207-209.

new company could be freed from the creditors of the North East and South West by allowing it to be sold at foreclosure sale. Then Jemison and Jones could settle with its creditors.⁵⁰

In order to carry out the new plan, it was necessary to secure the support of Governor Smith. To do this, J. C. Stanton, one of the Bostonians who controlled the Wills Valley Railroad Company, agreed to finance the East Alabama and Cincinnati Railroad Company, a company organized by Governor Smith, four state senators, and two state representatives. Governor Smith is alleged to have said that Stanton had to loan him the money to build his road. Later, Henry Clews, Stanton's banker, loaned Smith's company \$80,000.⁵¹

With Governor Smith's support, the new plan was speedily carried out. On October 17 Governor Smith advertised the sale of the North East and South West at an auction to take place in Montgomery on December 16 under the provisions of the state's mortgage on the road.⁵²

50. Interview with Dr. Marcus Whitman of the School of Commerce, University of Alabama, November 28, 1950.

51. "Report of the Special House Committee Appointed to Investigate Railroad Matters," Journal of the House of Representatives, 1871-1872, p. 305. Hereinafter cited as "Investigation of 1872."

52. Alabama State Journal (Montgomery), October 17, 1868.

Judge A. J. Walker, Patton's attorney, arranged with Governor Smith to pay the debt to the state in the second mortgage bonds of the new company⁵³ and Patton went to Boston to prepare these bonds.⁵⁴ On November 17 the General Assembly passed an act introduced by John L. Pennington, one of the owners of the East Alabama and Cincinnati Company,⁵⁵ authorizing the Wills Valley to purchase the North East and South West. It provided that the debt to the state was to be paid in securities satisfactory to the governor, which would allow the arrangement to pay the debt with second mortgage bonds to stand, and it made no provision for the settlement of the liabilities of either company, which would make it possible for Jemison and Jones to indemnify the new company against the creditors of the North East and South West.⁵⁶ Thus, the new plan was a complete success.

53. John Whiting to R. Jemison, Jr., October 26, 1868, Jemison Papers, Folder 9.

54. R. M. Patton to R. Jemison, Jr., October 24, 1868, Jemison Papers, Folder 9.

55. Journal of the Senate, 1868, p. 464.

56. Acts of Alabama, 1868, pp. 345-348.

In the meantime, Jemison had been busy settling the liabilities of his company and getting a relinquishment of its stock to Stanton and his associates. On October 24 he reported to Stanton that he was proceeding very well in getting the relinquishment of stock but was having trouble settling the company's debts. The biggest obstacle to this settlement was a suit by the Alabama and Pensacola Railroad over railroad iron which had been taken by the Confederate government and used on the North East and South West. Jemison believed that he could settle this suit and the rest of the debts for ten or twelve thousand dollars, if Stanton would advance him the money.⁵⁷ Most of the people holding small cash claims against the company wanted payment of over ten cents on the dollar. Some of the stockholders also demanded small payments for their stock,⁵⁸ while others, like James A. Webb, simply refused to relinquish it.⁵⁹ However, most of the stockholders relinquished their stock as readily as did R. Chapman. On October 28 Jemison wrote Chapman and requested that he relinquish his stock to J. C. Stanton,

57. R. Jemison, Jr., to J. C. Stanton, October 24, 1868, Jemison Papers, Letterbook H, p. 132.

58. D. I. J. Fulton to R. Jemison, Jr., November 13, 1868, Jemison Papers, Folder 9.

59. James A. Webb to R. Jemison, Jr., October 29, 1868, Jemison Papers, Folder 9.

I. T. Burr, and their associates, the Bostonians who controlled the Wills Valley Railroad. He pointed out that the stock was valueless because the road could not be completed and that the road was to be sold under the mortgage to the state. A form for relinquishment was enclosed to be signed and returned.⁶⁰ On November 3 Chapman returned this form signed. It stated that Chapman was relinquishing his stock to the Bostonians because he believed it to be valueless and because he thought the Bostonians would complete the road.⁶¹

That the Bostonians would build the road seems to have been generally accepted, in spite of the fact that no one except Patton, Walker, and Patton's secretary seemed to know anything about them. On October 26 John Whiting wrote Jemison:

I know nothing at all about those gentlemen. . . . They are represented to be men of means, & connections which enable them to control almost any amount. . . . From what I saw of Stanton I was favorably impressed & think he will build the road.⁶²

60. R. Jemison, Jr., to R. Chapman, October 28, 1868, Jemison Papers, Folder 9.

61. R. Chapman to R. Jemison, Jr., November 3, 1868, Jemison Papers, Folder 9.

62. John Whiting to R. Jemison, Jr., October 26, 1868, Jemison Papers, Folder 9.

Apparently the editor of the Independent Monitor of Tuscaloosa was also favorably impressed by them because on October 13 he wrote:

The N. E. & S. W. Ala. Railroad having passed into the hands of Northern capitalists, of immense resources and Yankee energy, the whistle of the engine will be heard certain, in eight months. . . . The Railroad is a thing de facto et de jure.

The Republicans, also, seem to have thought that Stanton had impressed many Alabamians. On October 21 the Alabama State Journal of Montgomery, as part of its campaign to elect Grant, published a letter from Stanton to Governor Smith in which Stanton told Smith that his associates would not invest money in Southern railroads if Grant were not elected; therefore, he was postponing all operations until after the election. On the following day and again on October 30 the Alabama State Journal reminded the voters that if they wanted the Bostonians to build railroads in Alabama they had better vote for Grant.

Stanton had far from postponed operations until after the election. By November 18 Walker, Patton, and Jemison had the affairs of the two railroads in such good condition they made a contract which provided for the purchase of the North East and South West Railroad by the Wills

Valley Railroad. The North East and South West Company agreed to relinquish to the Wills Valley Company all of its franchises, rights, privileges, and property with the exception of the "unpaid subscriptions of stock, contracts for construction, labor or material, the office furniture at Tuscaloosa, all land taken as subscription of stock, or in payment of such other subscriptions and all other bonds and notes and other debts due" it.⁶³ It further, agreed to furnish the Wills Valley with an individual indemnity against its creditors and "to procure as far as practicable and with convenient dispatch an extinction" of all its debts and "a relinquishment of its stock to J. C. Stanton, I. T. Burr, and their associates."⁶⁴ The Wills Valley Railroad agreed to purchase the North East and South West Railroad at the sale under the mortgage to the State and discharge the whole debt to the state, regardless of what it bid. It also agreed to pay the North East and South West Railroad \$750,000 in second mortgage bonds of the new road, less the amounts paid the state and Thomas Scott, Jesse E. Adams, W. A. C. Jones, and Charles E. Rushing. Also, if the two suits which were pending

63. Agreement of November 18.

64. Ibid.

against the North East and South West Railroad were settled adversely, the amount required to settle them was to be taken from these bonds.⁶⁵

On December 3 the Board of Directors of the North East and South West met at Eutaw and approved this agreement.⁶⁶ It, also, made a contract with Jemison and Jones by which the latter agreed to undertake to indemnify the Wills Valley Railroad against the creditors of the North East and South West Railroad and the North East and South West agreed to give Jemison and Jones all of the assets which its contract with the Wills Valley Road had left it.⁶⁷ In a separate contract the Wills Valley Railroad sanctioned this arrangement.⁶⁸ The only real opposition to this agreement came from N. L. Whitfield, a former president of the North East and South West Railroad, who did not want to

65. Ibid.

66. Copy of the minutes of the Board of Directors of the North East and South West Alabama Railroad Company, December 3, 1868, Jemison Papers, Folder 9.

67. Copy of the contract between R. Jemison, Jr., and W. A. C. Jones and the North East and South West Railroad Alabama Company, December 3, 1868, Jemison Papers, Folder 9.

68. Copy of the contract between Robert Jemison, Jr., and W. A. C. Jones and the Wills Valley Railroad Company, December 3, 1868, Jemison Papers, Folder 10.

see Jemison and Jones get the Tuscaloosa Bonds.⁶⁹ This opposition, according to Jemison proved:

what has been true of almost every great public enterprize that there always be parties who are professedly most public spirited and liberal until they find some others may be more benefited or favored than themselves, then they become indifferent and their indifference gradually grows into opposition.⁷⁰

Jemison does not appear to have been as "benefited" or "favored" as he had anticipated. He needed over twenty thousand dollars to settle the affairs of the North East and South West Railroad and was relying on D. N. Stanton to loan him the needed money, since the assets which the company had given him were such that they could not be used at that time.⁷¹ These assets consisted of \$41,000 in bonds of the Selma and Meridian Railroad Company, which were valued at \$12,300; \$44,000 in bonds of the City of Tuscaloosa; \$750,000 in second mortgage bonds of the Alabama and Chattanooga Railroad, and miscellaneous assets valued at \$10,000. Thus, Jemison and Jones had received \$815,000 in assets with which to settle \$863,065.80

69. W. A. C. Jones to Judge Reavis, March 14, 1872, Jemison Papers, Folder 10.

70. R. Jemison, Jr., to D. N. Stanton, December 6, 1868, Jemison Papers, Letterbook H, p. 173.

71. Ibid., p. 175.

worth of liabilities.⁷² These assets proved to be of little benefit to Jemison. The \$750,000 in second mortgage bonds of the Alabama and Chattanooga was entirely used in fulfilling the terms of the agreement of November 18. Out of these bonds Scott, Adams, Jones, and Rushing were paid \$413,000⁷³ and the State was paid \$316,859.32.⁷⁴ In addition to this, \$20,000 worth of these bonds was hypothecated by Stanton to secure \$9,833 which he had loaned Jemison and Jones.⁷⁵ Jemison later tried to regain these bonds, but Stanton refused to surrender them.⁷⁶ Despite the fact that these bonds were all gone, Jemison had to pay a \$7,500 judgment on one of the suits which was to be settled with these bonds,⁷⁷ and he

72. Statement of invalid claims set down as liabilities of the North East and South West Alabama Railroad Company, January 1, 1868, Jemison Papers, Folder 11.

73. Copy of the receipt given the Wills Valley Railroad Company by Thomas Scott, Jesse E. Adams, Charles E. Rushing, and Robert Jemison, Jr., January 4, 1869, Jemison Papers, Folder 9. Hereinafter cited as Receipt of January 4.

74. Copy of the account of the North East and South West Alabama Railroad Company with the State of Alabama, November 11, 1868, Jemison Papers, Folder 9.

75. Receipt of January 4; A. J. Walker to A. F. Thayer, December 18, 1870, Jemison Papers, Folder 9.

76. Ibid.

77. Copy of a contract between W. A. C. Jones and the North East and South West, February 25, 1869, Jemison Papers, Letterbook H, p. 240.

may have had to pay the other suit. The bulk of the miscellaneous assets consisted of a claim against the New Orleans, Jackson, and Great Northern Railroad Company for railroad iron left in its custody before the surrender of New Orleans and a claim against the Vicksburg and Meridian Railroad Company for material furnished them in 1863 and 1864. Although W. A. C. Jones was appointed attorney to collect these debts,⁷⁸ it is doubtful whether he succeeded, since other attempts to settle them had failed. Jemison also failed to derive any benefit from the Tuscaloosa bonds. When he tried to use these bonds, the city of Tuscaloosa filed suit against him,⁷⁹ and before the suit was settled he died.⁸⁰ Jemison probably received a commission from Scott, Adams, and Associates for acting as their agent. Apparently, he received stock in Alabama and Chattanooga Company, since he was later on its board of directors.⁸¹

78. Copy of the contract between W. A. C. Jones and the North East and South West Alabama Railroad Company, February 25, 1869, Jemison Papers, Letterbook H, p. 240.

79. Jemison Papers, Folder 10.

80. Hermoine Dannelly, "The Life and Times of Robert Jemison, Jr. During the Civil War and Reconstruction," p. 118.

81. Independent Monitor (Tuscaloosa), December 29, 1868.

CHAPTER II

BUILDING THE ALABAMA AND CHATTANOOGA RAILROAD

The Bostonians lost little time in organizing the Alabama and Chattanooga Railroad Company after purchasing the North East and South West Railroad Company. On December 19, 1868, they met in Montgomery at the Exchange Hotel and elected the following:¹

Board of Directors

D. N. Stanton - Boston
Francis Dane - Boston
I. T. Burr - Boston
John M. Courting - Boston
John Derneritt - Boston
William Claffin - Boston
S. A. Charlton - Boston
J. C. Stanton - Boston
Lewis Rice - Boston
Robert Jemison, Jr. - Alabama
R. M. Patton - Alabama
William P. Rathburn - Tennessee

1. "Testimony of Witnesses before the Committee of the Alabama House of Representatives to Investigate the Issue of Bonds to Railroads by the State," Montgomery Daily Advertiser, February 8, 1871. Hereinafter cited as the "Investigation of 1871."

Officers

D. N. Stanton - President
 R. M. Patton - Vice President
 I. T. Burr - Treasurer
 A. F. Thayer - Secretary
 J. C. Stanton - General Superintendent²

The election of these directors and officers, plus the passage of a bill on December 31, 1868, which permitted the board of directors to meet outside of the state,³ made it possible for the company to be completely controlled from Boston. After this time, even ex-Governor Patton, who was vice president of the company, had little to do with its operation.⁴

2. "Prospectus and First Annual Report of the Directors of the Alabama and Chattanooga Railroad Company to the Stockholders," January, 1869, p. 2. Hereinafter cited as "Prospectus."

3. Acts of Alabama, 1868, pp. 545-546.

4. "Investigation of 1871." In his testimony, Patton maintained that the reason for his lack of influence and for his demotion to vice president, was his opposition to a bill which would loan the Alabama and Chattanooga Company \$3,000,000 in state bonds. However, this seems unlikely, since the bill was not introduced into the legislature until about a year after his demotion. It seems likely that the Stantons made Patton president of the Wills Valley Company because, as Governor, he would have the power to coerce the North East and South West Company into consolidating with the Wills Valley Company. Cf. ante Chapter I, passim. After the Alabama and Chattanooga Company had obtained its charter, Patton was no longer particularly valuable to the Stantons, and he was demoted to vice president and ignored. Patton also maintained that his opposition to the \$3,000,000 loan cost the Alabama and Chattanooga Company \$200,000. Later Governor Lindsay incorrectly testified, during the Ku Klux investigations, that Patton had said he had

The owners of the Alabama and Chattanooga Company appear to have had much influence in Congress. By March 19, 1869, their land grant had been renewed, despite the opposition of the strong faction in Congress which opposed using southern lands for purposes other than homesteading.⁵ This land grant consisted of 480,000 acres of land and was to be increased to 1,900,800 acres as the road was completed.⁶

At the time the Company began construction, twenty miles of road running southwestward from Chattanooga, and twenty-seven miles between Meridian and York Station were already completed and equipped, and one hundred and fifty miles of road were already graded.⁷ The road was to be completed by working from both ends. J. C. Stanton was to supervise the over-all construction and direct construction from the Chattanooga end of the line. G. M. Kennedy, of Louisville, was to direct construction from

been demoted to vice president because it had cost \$200,000 to obtain the Alabama and Chattanooga's charter. "Report on the Condition of affairs in the Late Insurrectionary States," Alabama Testimony, Vol. I. Senate Reports, 42nd Congress, 2nd Session, p. 232. Walter L. Fleming cites Lindsay's testimony in a footnote on p. 591 in his The Civil War and Reconstruction in Alabama giving the reason for Patton's demotion.

5. Alabama State Journal, March 19, 1869. At this same time, the South and North Railroad, which was owned largely by Alabamians, failed to get its land grant renewed.

6. "Prospectus," p. 42.

7. Ibid.

the Meridian end of the line.⁸ Kennedy immediately began advertising for five hundred to fifteen hundred workers, who were needed to complete the grading.⁹ By offering the workers \$1.30 per day he procured enough labor to complete the road from Meridian to Livingston, Alabama by August 14, 1869.¹⁰

The Stantons tried to make Mobile the southern terminus of their line. Early in October the Stantons, Governor Smith, and ex-Governor Parsons went to Mobile to buy a controlling interest in the Mobile and Ohio Railroad Company whose line ran from Mobile through Meridian to within 20 miles of Cairo, Illinois. The Mobile Daily Register editorially put pressure on both parties to come to an agreement. This would, according to the Register, make Mobile rather than New Orleans, the principal port for handling Alabama's coal and iron trade. Also the Register stated that while it had little faith in the present owners of the Mobile and Ohio, it felt the Stantons would complete the road to Cairo, Illinois.¹¹

8. Tuscaloosa Observer, March 20, 1869.

9. Ibid.

10. Ibid., August 14, 1869.

11. Mobile Daily Register, October 5, 1869.

However, when the Stantons were unable to reach an agreement with the owners of the Mobile and Ohio,¹² the Register became one of the principal opponents of both the Alabama and Chattanooga Railroad and of the Stantons. On November 9 the Register urged the early completion of the Grand Trunk Railroad from Mobile to Elyton to prevent Mobile from being "flanked" by Stanton's road.¹³ Later the Register opposed a bill to lend Stanton three million dollars in state bonds, on the grounds that the state's money would be used to build a road which would direct Alabama's coal and iron trade from Mobile to New Orleans.¹⁴

J. C. Stanton rapidly forged ahead with the building of the road in spite of the opposition of Mobile and other commercial centers which would lose trade to cities on the Alabama and Chattanooga Railroad. By November 25 Stanton and his two thousand workers had completed one hundred and thirty-three miles of track. James H. Howe, after traveling on the new road commented, "I have yet to ride over one hundred and thirty-three miles. . . of

12. Ibid., October 8, 1869.

13. Ibid., November 9, 1869.

14. Ibid., December 28, 1869.

more firmly smoothly laid track and cross bridges of more substantial structure. The depots, and telegraph lines are equally good."¹⁵ By January 15, 1870, the road had been completed from Chattanooga, ninety miles southwestward, through Wills Valley.¹⁶ By April 9, 1870 Stanton's trains were running from Chattanooga to a point on the line near Gadsden at a speed of thirty miles per hour. At this time, the company was employing two trains daily to carry coal from a mine in Alabama to Chattanooga, a distance of thirty-four miles.¹⁷ By May 21 the line had been completed from Chattanooga to within thirty miles of Elyton and was being graded between Elyton and Tuscaloosa.¹⁸

The building of the Alabama and Chattanooga toward Elyton touched off a dispute between John T. Milner, President of the South and North Railroad, and J. C. Stanton which lasted throughout the summer and into the fall. Milner had suggested earlier in the year that he and

15. Tuscaloosa Observer, November 25, 1869.

16. Ibid., January 15, 1870.

17. Ibid., April 9, 1870.

18. Ibid., May 21, 1870.

Stanton decide where their railroads would cross and subsequently purchase all the surrounding lands in order to found an industrial city. When Stanton agreed to this proposal, his chief engineer and Milner took up options on nearly seven thousand acres of land in Jones Valley near Village Creek. This site was then staked off into blocks and streets. In April, Milner discovered that Stanton had broken their agreement and was building toward Elyton and had taken options on all the land in Jones Valley near Elyton. Milner tried to communicate with Stanton in Chattanooga, but his letters were unanswered. Milner, then, refused to designate where his road would cross Stanton's road, so that Stanton would not know which options to pay. Stanton, apparently confident that the South and North Company lacked the money to take up his options, allowed them to expire. On December 19, Josiah Morris, a Montgomery banker, furnished Milner \$100,000 with which to purchase 4,150 acres of land on which Stanton's options had expired. The following day, the Elyton Land Company was formed to build the city which later became Birmingham.¹⁹

19. Ethel Armes, The Story of the Coal and Iron in Alabama, pp. 218-222.

During the time the South and North Railroad had discontinued construction, pending the settlement of the Birmingham site dispute, Stanton had been energetically completing his railroad. The newspapers along the line were praising his energy and ability.²⁰ Even the Memphis Avalanche commented on the excellent road he was constructing at a cost of \$30,000 per mile.²¹ On June 18, the "Jennie Rogers," a Mobile steamboat, brought two steam shovels to Tuscaloosa which were to be used in speeding up construction.²² By this time, trains were running from Meridian into Greene County.²³

Although Stanton appeared to be rapidly completing the road, actually, he had been greatly hindered by the labor shortage resulting from the great demand for Negro labor on the plantations. When Stanton began construction, he advertised for workers throughout the South, offering them the customary wage of seventy-five cents to a dollar per day. However, he was unable to obtain a suitable labor force and eventually had to raise wages to one dollar and seventy-five cents per day. When this raise did

20. Alabama State Journal, June 10, 1870.

21. Tuscaloosa Observer, June 18, 1870.

22. Ibid.

23. Ibid.

not increase his labor force substantially, he began advertising for labor in the northern papers. In this manner he obtained three thousand workers, most of whom were German and Irish immigrants. However, according to Stanton, the northerners could not stand the heat and most of them remained only a short time.²⁴ Of the first fifteen hundred northern workers who reported for work, only fifty were left at the end of the first month.²⁵ On June 17 Stanton received a telegram from Koopmanschoop and Company of San Francisco offering to supply him with from one to two thousand Chinese laborers for sixty dollars per head. The Chinese workers were to be paid sixteen dollars a month, and Stanton was to furnish board and passage back to San Francisco. Stanton had fifteen hundred of these Chinese workers,²⁶ many of whom had previously worked on western railroads, sent to the Meridian end of the line. However, the southern superintendent, who did not like their work because it tripled the cost of grading, sent them to the northern end of the line. At first, the Chinese were poor workers, but they

24. Alabama State Journal, August 20, 1870.

25. Ibid.

26. Tuscaloosa Observer, July 2, 1870.

gradually improved until they were almost as good as the Negro workers. They were harder to provide for than the Negro workers, since they demanded tents to live in, while the Negroes were content to sleep under the trees. Unlike the Negroes, they were proud and hard to manage, but like them, they spent their wages freely on whiskey, chicken, and cheap goods. Both the Chinese and Negroes were especially fond of gambling²⁷ and spent much of their spare time playing dominoes and "shooting" dice.²⁸ On one occasion, some of the Chinese beat some of the Negroes in a dice game. The Negroes attempted to recover their losses by fighting, but the Chinese proved to be as skillful at fighting as they were at gambling and were giving the Negroes their second beating of the day when some white men stopped the fighting.²⁹

The editors of the Alabama newspapers reacted to Stanton's use of Chinese labor with mixed emotions. The Independent Monitor (Tuscaloosa) warned the Negroes that the coming of the Chinese workers proved the Negro was

27. Robert Somers, The Southern States since the War, pp. 163-4.

28. Ibid.

29. Tuscaloosa Observer, March 25, 1871. Cited by James Howard Clark, "History of the North East and South West Railroad to 1872," p. 74.

not indispensable and advised them to concern themselves more with work and less with politics.³⁰ Later, when the Chinese came to Tuscaloosa, the Monitor described them as good workers, shrewd purchasers, and civilized men who held their whiskey well.³¹ The Gadsden Times, however, presented a very unflattering picture of the Chinese and accused Stanton of firing five hundred Negroes in order to use the Chinese.³² The Tuscaloosa Observer also opposed the use of the Chinese,³³ as did the Montgomery Mail.³⁴ The Elyton Herald sympathized with Stanton's labor problems and approved of the use of the Chinese.³⁵

D. N. Stanton had ambitious plans for the Alabama and Chattanooga Company. In 1870 he had a pamphlet printed which proposed that the Alabama and Chattanooga become a part of a railroad system running from Chattanooga to the Pacific Coast. The proposed line would go

30. Independent Monitor, June 21, 1870.

31. Ibid., March 7, 1871.

32. Tuscaloosa Observer, July 16, 1870.

33. Ibid.

34. Ibid., July 9, 1870.

35. Ibid.

from Chattanooga to Meridian, via the Alabama and Chattanooga Railroad; from Meridian to Vicksburg, via the Vicksburg and Meridian Railroad; from Vicksburg to Marshall, Texas, via the North Louisiana and Texas Railroad; and then westward to make connection with the Texas and Pacific Railroad. The proposed railroad would have connections to New Orleans by a proposed extension of the Alabama and Chattanooga Railroad to New Orleans; connections to Cincinnati by the Cincinnati Southern Railroad, which was being built; and to New York by the East Tennessee and Virginia Railroad. The pamphlet stated that a bill was being introduced into Congress to give federal aid to the Alabama and Chattanooga and urged all congressmen to lend their support.³⁶ D. N. Stanton persuaded Senator Pomeroy to introduce an amendment to the Southern Pacific bill which would permit the Alabama and Chattanooga Company to purchase, or consolidate with, the Vicksburg and Meridian Railroad Company and the North Louisiana Railroad Company, in order to make a through

36. "The Great Railroad Route to the Pacific and Its Connections Showing the Relations of the Alabama and Chattanooga Railroad to the Proposed Southern Line to the Pacific," Boston, 1870. Microfilm copy of a pamphlet in the Library of Congress.

route to the Texas and Pacific.³⁷ At the time the bill containing Pomeroy's amendment passed the Senate³⁸ the Stantons owned stock in the Vicksburg and Meridian Company.³⁹ However, the proposed consolidated company was never formed.

J. C. Stanton apparently did not let his dream of a route to the Pacific delay his construction work, because, by August 18, 1870, trains were running between Meridian and Eutaw.⁴⁰ In October, he assured the people of Alabama that the road would be completed by the end of January, 1871.⁴¹ At the time, this seemed probable, since by the end of October all but sixty-five miles of the road had been completed⁴² and much of the unfinished portion of the line had been graded.

Although Stanton was being praised by many Alabamians, especially those along the line of the Alabama and Chattanooga railroad, he was the object of much criticism.

37. Tuscaloosa Observer, July 8, 1870.

38. Montgomery Daily Advertiser, February 21, 1871.

39. Alabama vs. Burr, 115 U. S. Reports, p. 421.

40. Independent Monitor, September 13, 1870.

41. Ibid., October 25, 1870.

42. Railroad Gazette, II (November 2, 1870), 153.

This criticism began during the winter of 1869-1870 when he obtained a \$2,000,000 loan from the state by bribing the state legislature.⁴³ On August 25, 1870, Robert Jemison, Jr., wrote A. J. Walker that he expected a "stupendous swindle on the part of the Ala. & Ch. R. R. Co. When or in what shape it is to come I can not for ~~e~~-see, but that it will surely come I feel very certain,⁴⁴ and in it will be involved the state and other creditors."⁴⁴ The Independent Monitor criticized Stanton for attempting to give J. T. Rapier, a Negro, a \$10,000 bribe not to accept the Republican nomination for Secretary of State.⁴⁵ When Stanton was slow about paying his creditors and workers, the Tuscaloosa Observer commented: "Well, Railroads can't march unless there is both money and brains. It is probable Stanton has the brains; but the money won't come."⁴⁶ However, within two weeks, Stanton had partially paid his debts, and the Observer stopped

43. "Investigation of 1871."

44. R. Jemison, Jr. to A. J. Walker, August 25, 1870, Jemison Papers, Letterbook I, p. 472.

45. Independent Monitor, September 13, 1870. Rapier refused the bribe.

46. Tuscaloosa Observer, October 8, 1870.

chiding him.⁴⁷ During the winter of 1870-1871, Stanton became the object of much Democratic criticism because during the fall, he had contributed to Republican campaign funds. Also, he had required nine hundred of his workers to vote for the reelection of Governor Smith.⁴⁸

However, the fact that all the counties along the Alabama and Chattanooga Railroad were pro-Stanton but had voted for Robert Burns Lindsay,⁴⁹ the Democratic nominee for governor in 1870,⁵⁰ indicates that the Democratic opposition to Stanton was coming mainly from areas of the State

47. Ibid., October 22, 1870.

48. Ibid., December 17, 1870.

49. Robert Burns Lindsay was born July 4, 1824, in Scotland. He came to the United States in 1844 where he found employment as a teacher in North Carolina. In 1849, he moved to Tusculumbia, Alabama, where he was admitted to the bar in 1852. In 1857, he became a State Senator. He was a Union Democrat and opposed secession. However, during the Civil War he was a loyal southerner, serving in the Confederate cavalry. In 1870, he was elected governor on the Democratic ticket. After serving one term, Lindsay refused to run for the second term. Soon after he left office, he was stricken with paralysis, and retired from political life. He died in 1902. Owen, op. cit., Vol. IV, pp. 1048-1049.

50. Tuscaloosa Observer, December 17, 1870.

which would not benefit from the completion of his road. Stanton's Democratic opponents increased the tempo of their attacks on him after January 1, 1871, on which date Stanton failed to pay the interest due the Alabama and Chattanooga bondholders.⁵¹ A subsequent investigation showed that Stanton had been guilty of fraud in financing his road.⁵² This evidence was used by many of the state's Democratic papers to ruin the reputation of both Stanton and the Republican Party.⁵³ However, much of the opposition to Stanton which appeared to be political, seems to have resulted from commercial rivalry. The Aberdeen (Mississippi) Examiner maintained that the "opposition to the Stantons is the result of opposition to the road itself,"⁵⁴ and, therefore, the name of the Democratic Party should not be associated with it. In the opinion of the Examiner's editors, the main reason for Stanton's failure to pay the interest on the bonds was due to the fact that the war in Europe had stagnated the stock and

51. The American Annual Cyclopaedia and Register of Important Events of the Year 1871, p. 7.

52. "Investigation of 1871."

53. The American Annual Cyclopaedia and Register of Important Events of the Year 1871, p. 7.

54. Independent Monitor, March 14, 1871. The Examiner was prepared to prove this by an abundance of testimony.

bond market. The editors of the Examiner did not "know of a road in Alabama, Louisiana, Mississippi, Texas, Florida, or Tennessee, that was not embarrassed in this matter."⁵⁵

The Examiner asserted that Stanton was motivated by self-interest in the building of the road, as was Alabama in giving him the financial aid to build it. According to the editors, Alabama had made a wise investment, because the Alabama and Chattanooga Railroad would aid the whole state.⁵⁶

Despite these criticisms, Stanton continued the construction of the road and on March 14, 1871, the railroad was completed from Chattanooga to Tuscaloosa. Thomas Maxwell, a Tuscaloosa resident, proclaimed in a letter to the Independent Monitor that the coming of the first engine heralded a new day for Tuscaloosa. The Stantons' capital had made the completion of the road possible, according to Maxwell, and he commented,

I never saw any sense in a dog in the manger policy. If we can't eat the bone, why growl at another dog eating it, when we pick up the crumbs, as East Alabama is doing at J. C. Stanton, and through him at

55. Ibid.

56. Ibid.

West Alabama, through envy at his enterprize, and the intrinsic value of his line.⁵⁷

The Independent Monitor commented that: "After waiting so many long years, it seems almost impossible that it is the whistle of the engine we hear, night and morning. . . . Mr. Stanton deserves, and has, the respect of the citizens of Tuscaloosa."⁵⁸ Apparently, the Monitor was right, because there was much talk of Stanton building a street car line and a bridge to Northport for the city of Tuscaloosa.⁵⁹ Albert Battle, a former president of the North East and South West Railroad Company, who had lost nearly fifty thousand dollars in the construction of that road, said that he and others would pay the interest on the Alabama and Chattanooga bonds rather than see the railroad fall into less capable hands.⁶⁰ The Tuscaloosa Observer described Stanton as a man who had worked his way up from the bottom of the railroad business and who was not "ashamed of work, millionaire though he is. In manners he is very polite and agreeable, and he

57. Ibid., March 14, 1871.

58. Ibid., March 28, 1871.

59. Ibid.

60. Ibid., April 18, 1871.

has already become, personally very popular. On the whole Mr. Stanton is, by far, the most respectable Republican, from the boreal region, that it has been our fortune to meet. . . ." ⁶¹

Tuscaloosans had good reason for praising Stanton because on the same day the road entered Tuscaloosa, northern capitalists visited Tuscaloosa to examine the Warrior coal fields. Also several new steam saw mills were being built along the railroad. ⁶² On March 7, Messrs. Yarell, Leigh and Company, Chattanooga merchants, published their price list in the Independent Monitor, heralding the opening of trade between the two cities.

Tuscaloosans were not the only ones who admired Stanton and his work. The Boston Advertiser praised his good work, ⁶³ and the Memphis Appeal commented:

Superintendent J. C. Stanton has truly earned for himself the title of the Railroad Bonaparte of the present day. Through the severest depression, against bitterest sectional prejudice and distrust, under most scathing

61. Montgomery Daily Advertiser, March 19, 1871.

62. Independent Monitor, March 14, 1871.

63. Ibid.

sarcasm and denunciations of the press, he pushed steadily onward, overcoming every obstacle, till but twelve miles of the three hundred are to be built, and his loudest opponents are in PRAISE OF THE GREAT MAN, who has so fairly achieved so much for the section.⁶⁴

At the same time, Stanton was also attempting to promote his popularity. On April 30, he sponsored a picnic at Springville, Alabama, for the citizens of Tuscaloosa and Chattanooga. Trains left Chattanooga and Tuscaloosa at 7 A. M. and met at Springville at about 11 A. M. Although about five hundred attended the picnic, it was a failure because only about one hundred Alabamians attended it and because there was little neighborliness between them and the Chattanoogaans. On the return trip to Tuscaloosa, the engine was derailed and it took approximately five hours to put it back on the road, thus making the picnic a complete failure.⁶⁵

Although Stanton had approximately thirteen miles of road to complete by the middle of March, he was once again troubled by labor difficulties. An agent of a Louisiana sugar plantation attempted to hire Stanton's Chinese workers. When Stanton refused to surrender them,

64. Ibid.

65. Ibid., May 3, 1871.

the United States District Court subpoenaed them to Mobile on the charge that Stanton was holding them against their will. A United States marshal came to Tuscaloosa and took the six hundred Chinese to Mobile on foot. The appearance of the Chinese in Greensboro on March 19, caused much confusion and turmoil, while their disappearance from Tuscaloosa caused bitterness in the hearts of its citizens. The Tuscaloosa Observer asserted that the sole purpose of this action was to delay the construction of the road, while the Independent Monitor placed the blame on "jealous Mobile."⁶⁶

Despite the loss of his Chinese laborers, Stanton managed to complete the road. On May 14, 1871, one hundred and twenty citizens of Chattanooga came to Tuscaloosa to witness the driving of a silver spike, signifying the completion of the road. They were well received in the homes of the citizens of Tuscaloosa, and neighborliness, which had been absent from the picnic at Springville, was very much in evidence. On May 15, at 11 A. M., three crowded cars journeyed twelve miles south of Tuscaloosa to Big Sandy Creek in order to witness the long awaited event. A hard rain delayed the proceedings for three hours but:

66. Ibid., March 21, 1871; Montgomery Daily Advertiser, March 23, 1871 and March 25, 1871.

So soon as the heavens ceased weeping for joy over the great event on the eve of accomplishments below, Mr. J. C. Stanton got everything in readiness for driving the precious spike. Mrs. J. C. Stanton, Mrs. J. P. Stanton, Mrs. Dr. Gardner and several other ladies descended upon the muddy earth, and each gave the sheeny nail an unerring hit on the massive head, amid deafening shouts of the assembled multitude of delighted sight-seers, composed of men from the four continents of the globe--Europe, Asia, Africa, and America. An electric battery being placed in position, the A & C Road was flashed across the wires, northeasterly and south-westerly till, in less than twenty minutes, it had reached most of the principal cities throughout the country. Meanwhile a mighty cannon near by loudly belched forth its rapid salutations continuing during the ceremonies, even to the hundredth round, the short intervals being filled with the popping sound from innumerable small arms. We the editors of the Independent Monitor must say just here, that we had the honor of giving the spike two homespending licks, and felt a thrill of joy in our heart as we did so.⁶⁷

On the next day, Alabama and Chattanooga's Lightning Train left New Orleans at 5 P. M., passed through Vicksburg arriving in Meridian at 6:30 A. M., in Tuscaloosa at 10 A. M.,⁶⁸ and in Chattanooga at 7:30 P. M. The New

67. Independent Monitor, May 17, 1871.

68. Ibid.

York Commercial Advertiser made the following comment on the thirteen hour run from Meridian to Chattanooga:

This is extraordinary for a new road, and shows that it must be well constructed and in first class condition; and it affords sufficient evidence that it will control the greater part of the travel from New York and the East to New Orleans and the South.⁶⁹

The Philadelphia Press said that the completion of the Alabama and Chattanooga Railroad had shortened the time of travel from New York to New Orleans by six hours. This would give preference to the Pennsylvania Railroad over the Erie Railroad which formerly had the shortest time. The competition of this new route to New Orleans, the Press maintained, had already forced rival lines to alter their time tables.⁷⁰

Stanton soon began running two passenger trains each way daily, one of which was an express, and from one to two freight trains a day. He soon obtained a United States mail contract.⁷¹ At this time the company had

69. Guiford T. Smith, "Report of the Mineral and Resources of the Alabama and Chattanooga Railroad Company," p. 18. A microfilm copy of a pamphlet in the Bureau of Railway Economics.

70. Ibid.

71. "Report of the Special Senate Committee Investigating the operation of the A & C by the State of Alabama," January 26, 1872, Journal of the Senate, 1871-1872, p. 355.

seventeen locomotives, of which sixteen were first class; over one hundred freight cars, most of which were new and in good condition; six passenger coaches and two Wadley cars, all in good condition; two second class coaches; a sufficient number of mail and baggage cars; and enough hand cars and tools to service the track. The Company also owned the machine shops, the equipment, and the materials necessary to keep the rolling stock repaired and to build additional box cars and flat cars.⁷²

The road in general was in good condition, except for certain portions which needed additional work. Most of the rail between Meridian and York Station, the older part of the road, a distance of twenty-seven miles was light in weight and worn out, while most of the culverts and cross-ties needed repairing or replacement. The forty-five miles of road between York Station and Akron Station were in good condition, but there were many temporary trestles between Akron Station and Tuscaloosa

72. Ibid.; "Report of the Auditor of the State of Alabama for Fiscal year ending September 30, 1871 to the Governor," Alabama State Documents, 1871, pp. 95-96. These two sources vary slightly as to the amount of rolling stock owned by the Alabama and Chattanooga Company. The only difference worthy of note, is that the Auditor's report lists two less locomotives than Stanton in his testimony before the Senate investigating Committee. The Auditor's figures are the ones used in giving the number of locomotives.

which needed replacing. The road between Tuscaloosa and Chattanooga was in good condition except for nine miles of temporary track which had been laid to avoid costly excavation, and needed replacement. Except for these necessary repairs, which could be made for about \$500,000, the road was in good condition.⁷³

The success of the new road seemed assured to the people along the line, but due to disputes arising from the corrupt manner in which the construction of the road had been financed, this apparent success soon disappeared.

73. "Report of Messrs. Farrand and Thom, Railroad Commissioners," November 9, 1871, Journal of the Senate 1871-1872, pp. 39-43.

CHAPTER III

FINANCING THE CONSTRUCTION OF THE ALABAMA AND CHATTANOOGA RAILROAD

The Alabama and Chattanooga Railroad Company listed the following in January, 1870:

Resources

State endorsed first mortgage bonds (unsold)	\$ 4,800,000
Second mortgage bonds (unsold)	1,825,000
1,900,800 acres of land valued at \$2 per acre	3,801,600
Cash in the treasury	<u>251,000</u>
Total resources	\$10,677,600

Cost of road

Cost to date	\$ 5,875,000
Cost to complete	<u>6,295,000</u>
Total cost	\$12,170,000 ¹

The Company listed a stock subscription of \$5,000,000 which was included in the \$5,875,000 listed as the cost

1. "Prospectus," pp. 42-43.

of the road to date.² However, none of the \$5,000,000 was used to purchase the North East and South West Railroad, and it appears that very little of the stock subscription was ever paid in.³

The largest portion of the money used in financing the road came from the sale of the state-endorsed first mortgage bonds. Stanton obtained these bonds by sending telegrams to D. F. Dalton, Governor Smith's secretary, stating the number of miles of road completed. Upon receiving one of these telegrams Dalton sent Stanton the bonds endorsed at the rate of \$16,000 per mile.⁴ Following this procedure, he was able to obtain the endorsement of bonds for the twenty miles of track which had been completed by the North East and South West Railroad Company before the formation of the Alabama and Chattanooga Company. He obtained the endorsement of bonds for his second twenty miles of track by using fifteen miles of track which the Wills Valley Company had constructed and five miles of track rented from another company.⁵

2. Ibid.

3. "Investigation of 1871." During the investigation, ex-Governor Patton testified that he did not think any of the stock subscription was ever paid in.

4. Ibid.

5. Alabama vs. Burr, 115 U. S. Reports, p. 418.

With the cooperation of Governor Smith, Stanton was able to obtain the endorsement of bonds long before he was entitled to them. On November 15, 1869, Governor Smith stated that he had endorsed \$1,800,000 in Alabama and Chattanooga bonds.⁶ However, by January 1, 1870, the state had endorsed \$2,800,000 in Alabama and Chattanooga bonds, in spite of the fact that the company was only entitled to the endorsement of \$2,080,000 in bonds.⁷ On November 21, 1870, Governor Smith stated that he had endorsed \$4,000,000 in Alabama and Chattanooga bonds. Actually he had endorsed \$5,300,000 in bonds, which was \$580,000 more than Stanton would have been entitled to after he completed the road. However, forty-five miles of road were still unfinished at this time.⁸

The money Stanton was getting from the state-endorsed bonds was not enough to satisfy him. Early in the 1869-1870 session of the state legislature he had a special bill introduced into the Senate whereby the Alabama and Chattanooga Company would be loaned \$3,000,000 in

6. "Message of William H. Smith, Governor of Alabama to the General Assembly," Alabama State Documents, 1869-1870, p. 18.

7. "Investigation of 1871."

8. "Reports on the Condition of Affairs in the Late Insurrectionary States." Alabama Testimony, Vol. I. Senate Reports, 42nd Congress, 2nd Session, 1871-1872, p. 193. Hereinafter cited as Ku Klux Report.

state bonds. Despite some opposition the bill passed the Senate by an almost unanimous vote. However, in the House the bill encountered much opposition from the representatives of commercial cities, who feared competition from cities along the Alabama and Chattanooga Railroad. Also, many representatives felt that the state had loaned the Alabama and Chattanooga enough money, already. The bill was reported unfavorable on February 4, and failed to get the necessary two-thirds vote required for passage. On February 7, the bill was again referred to committee where the bill was reduced to \$2,000,000. After being favorably reported, it was passed.⁹

The Democratic Party made many well-founded charges of bribery in connection with the passage of the \$2,000,000 loan. Stanton had rented four rooms at the Exchange Hotel where he was visited by most of the state legislators during the passage of the bill. Jere Haralson, a Negro legislator, is reported to have heard Caraway, a legislator from Mobile, say that there was money in dealing with Stanton. Haralson went to the Exchange Hotel to try to obtain some of this "easy" money. While there he saw Carlyle, of the Alabama and Chattanooga Company, taking members of the legislature, one at a time for walks

9. American Annual Cyclopaedia and Register of Important Events of the Year, 1870, Vol. I, pp. 9-10.

and then returning alone. The next day Haralson was "loaned" fifty dollars after persuading Carlyle that he had switched from the Democratic to the Republican Party.¹⁰ However, bribing the legislature to aid railroads does not seem to have been confined to Republicans. During the last few days of the 1869-1870 session, F. M. Gilmer, President of the South and North Railroad Company, gave John Hardy, the chairman of the legislature's committee on railroads, \$35,000 to secure passage of a bill favoring his company. Colonel Owen, President of the Montgomery and Eufaula Company made a like "contribution" of between \$20,000 and \$25,000 for legislation favoring his company.¹¹ In all, Hardy and his colleagues received \$150,000¹² for securing the passage of acts loaning the Alabama and Chattanooga \$2,000,000, the South and North \$1,098,000, the Montgomery and Eufaula \$300,000, and the Mobile and Montgomery \$2,500,000.¹³ Three of these four railroad companies were controlled by Democrats. This seems to support the Democratic Livingston Journal's assertion that many Democrats were making an issue of the loan to

10. "Investigation of 1871," Testimony of Haralson.

11. Ibid.

12. Ku Klux Report, p. 232.

13. Ibid., p. 141; Alabama State Journal, March 17, 1870.

Stanton but at the same time were ignoring the loans made to railroad companies owned by Democrats.¹⁴ The Democratic Party also ignored the fact that many Democratic legislators voted for each of these loans, including the loan to Stanton's company.¹⁵

The State seemed to be well-protected against loss from the loan to Stanton.¹⁶ The Alabama and Chattanooga Company had to give the state \$2,000,000 in first mortgage bonds secured by its United States land grant, which was valued at \$3,801,000.¹⁷ The company was allowed to sell this land, provided that the proceeds were used to make payments on the loan. In addition to this, the Alabama and Chattanooga Company had to give the state a bond for \$2,000,000 based on "undoubted personal security."¹⁸

14. Alabama State Journal, September 17, 1870. One of the chief complaints made against Stanton was that he was so influential in the legislature that the other railroads could not obtain favors without "cutting" him in on them. "Investigation of 1871."

15. Ku Klux Report, p. 141. Francis L. Lyon, a Democrat, reluctantly admitted in his testimony that the Democrats were as much responsible for the passage of these bills as the Republicans.

16. Acts of Alabama, 1869-1870, p. 89.

17. "Prospectus," p. 42. The land was valued at two dollars per acre in this estimate.

18. Acts of Alabama, 1869-1870, pp. 89-92.

In compliance with this law, the Alabama and Chattanooga Railroad Company gave the state of Alabama a mortgage on its land grant, telegraph lines, machine shops, and property in Alabama, Tennessee, Mississippi, and Georgia.

Governor Smith, in keeping with the lackadaisical manner in which he had administered the endorsement of bonds, permitted the state bonds to be delivered to Stanton in bulk before April 1,¹⁹ a procedure which, though legal, was extremely unwise.

Most of the state-endorsed bonds were sold by Soutter and Company and Henry Clews and Company. Between April 7, 1869, and October 1, 1870, these two New York financial houses sold about \$1,000,000 of endorsed bonds in the United States and about \$3,000,000 in Europe. Most of the \$3,000,000 in bonds which were sold in Europe were handled by Erlanger and Company, as were the next \$720,000 in endorsed bonds. The \$2,000,000 in state bonds were sold by Erlanger and Company, to August Goettel

19. "Investigation of 1871." There is conflicting testimony as to the date these bonds were delivered to Stanton. Charles A. Miller, the Secretary of State at the time they were issued, testified the bonds were delivered to one of Stanton's agents on April 11 and 12, while Baunfel testified that they were sold on March 26. Governor Lindsay found that some of the bonds had been sold as early as April 1. Journal of the House, 1871-1872, p. 18.

and Company, German bankers, between April 1 and May 19, 1870.²⁰

Stanton had received all the endorsed bonds he was legally entitled to by May 19, 1870. In order to obtain more money with which to complete his road, he persuaded Governor Smith to endorse an additional \$580,000 in bonds. In December, 1870, Governor Lindsay, who had just entered office, secured an injunction to prevent the sale of these illegally-endorsed bonds. However, after this injunction was dissolved by the Court of Kings County, New York,²¹ Stanton was able to obtain a loan by hypothecating them to Welch and Brothers, Philadelphia bankers. Although Stanton promised Welch and Brothers that he would use this loan to pay the interest due the bondholders on January 1, 1870, he used this loan to complete his road.²²

Throughout the construction of his road Stanton violated the provisions of the act permitting the state's endorsement of his company's railroad bonds and the act loaning his company state bonds. He illegally sold \$1,392,000 in bonds for less than ninety per cent of their par value. Also, in violation of these acts, he used

20. "Investigation of 1871"; The Journal of the House, 1871-1872, pp. 17-19.

21. Montgomery Daily Advertiser, April 22, 1871.

22. "Investigation of 1872," p. 313.

money received from the sale of bonds for purposes other than building the road. The proceeds from the sale of the 340 endorsed bonds were used in the Spring of 1869 to pay the rent on five miles of track he had rented from another company.²³ In May of 1869 the company paid several of the directors, among whom were J. C. Stanton and D. N. Stanton, \$160,000, which it had acquired from the sale of state-endorsed bonds. In the same month these directors issued \$450,000 worth of stock to themselves, which they sold back to the company at a profit of \$45,000. The company had acquired this money through the sale of state-endorsed bonds.²⁴ During the years 1869 and 1870 \$150,000 received from the sale of endorsed bonds was illegally used. At the same time \$200,000 in endorsed bonds was used by the Stantons and their friends to purchase stock in the Roane Iron Company and in the Vicksburg and Meridian Railroad Company and to operate a coal mine. Between November, 1870, and February, 1871, the company used \$518,000 obtained from the sale of bonds for purposes other than constructing the road.²⁵

23. Alabama vs. Burr, 115 U. S. Reports, p. 418. This track was the five miles of track near Chattanooga for which Stanton received state-endorsed bonds. Cf. ante, p. 54.

24. Ibid., pp. 419-420.

25. Ibid., p. 421.

Stanton also received money from the sale of the United States land grant. This money was not used to make payments on the \$2,000,000 state loan as was required by law. Stanton's agent sold 9,760 acres of agricultural lands at two and one-half dollars per acre and 17,760 acres of valuable mineral lands at the low price of two and one-half to four dollars per acre. Mineral land in the same area was selling for as high as seventy dollars per acre. Colonel James L. Tait, later receiver of this land grant, estimated that the state lost about \$120,000 on the sale of these mineral lands. In all Stanton received \$81,489 from the sale of the total 27,520 acres.²⁶

Stanton was also able to obtain, on credit, \$1,500,000 in labor and materials.²⁷ This helps answer the Livingston Journal's query as to where Stanton obtained the money used in building his road, if, as his opponents charged, he had not used the proceeds from the sale of bonds in building the road and the members of his company had not paid their stock subscription.²⁸ For instance,

26. "Report of Col. James L. Tait, Receiver of Land of the Alabama & Chattanooga R. R. to the Governor." Alabama State Documents, 1873, p. 38.

27. Independent Monitor, June 14, 1871.

28. Ibid., April 19, 1871.

Walter L. Fleming maintains that the proceeds of the \$2,000,000 loan "were used to build a hotel and opera house in Chattanooga, where Stanton was accused of trying to imitate Fiske and Gould of Erie."²⁹ There were numerous rumors in Alabama at this time expressing this belief. Nevertheless, Zella Armstrong in her History of Hamilton County and Chattanooga Tennessee maintains that Stanton's hotel was built almost entirely by local credit and that only the foundation of the opera house was laid and it was never completed.³⁰ The latter's contentions appears to be correct, because when the state of Alabama sued Stanton and his associates, the building of his

29. Walter L. Fleming, Civil War and Reconstruction in Alabama, p. 594.

30. Zella Armstrong, The History of Hamilton County and Chattanooga Tennessee. Vol. II, pp. 70-72. According to the Author, the hotel was valued at \$100,000, and when it failed in the depression of 1873, every firm of any importance in Chattanooga failed with it. Although Stanton lost everything in this depression, he remained in Chattanooga until 1880 trying to reestablish himself. After being defeated for mayor in 1880, Stanton left Chattanooga and the South.

hotel was not among the many charges of misuse of funds made by the state against Stanton.³¹

Stanton also received the endorsement of \$194,000 in Alabama and Chattanooga bonds by the state of Georgia for the twenty-four and three-tenths miles of road running through Georgia.³² The state of Alabama had already endorsed bonds at the rate of \$16,000 per mile for this portion of the road.

A short time after the road was completed, Major William J. Sykes, a prominent railroad man from Memphis made the following estimate of the Alabama and Chattanooga's debt:

31. Alabama vs. Burr, 115 U. S. Reports, pp. 313-329. During this trial, Stanton and his associates made no attempt to refute the state of Alabama's many charges of violation of the law in connection with the use of the state endorsed bonds and state bonds. They maintained that the state failed to show any connection between these frauds and the \$1,537,000 which the state was demanding for damages. Stanton and his associates were upheld by the court.

32. Alabama Beacon (Greensboro), August 12, 1871. On August 4, 1871 Governor Bullock of Georgia, ordered the seizure of all the road and equipment in Georgia. This led to a dispute between Georgia and Alabama because Governor Lindsay had ordered seizure of the entire road by the state of Alabama a few days earlier. Eventually the disputed portion of the road was turned over to the State of Alabama.

Bonds loaned by state	\$ 2,000,000
Bonds endorsed by state, recognized	4,000,000
Bonds endorsed by state, unrecognized	1,300,000
Second mortgage bonds	2,700,000
January interest (1871)	300,000
Floating debt	1,500,000
	<u>\$11,800,000</u>
Amount needed to complete and equip road	500,000
	<u>\$12,300,000³³</u>

Major Sykes estimated that the Alabama and Chattanooga Company could pay its way out of debt in ten years by the sale of its land grant and by the proceeds from carrying the valuable trade that would develop along its line.³⁴ However, it was estimated by one of the later superintendents of the railroad that in 1870 the population along the road was so sparse that the company would only have half as much traffic as the average southern railroad.³⁵ Later events show that Major Sykes was over-optimistic about the amount of traffic which would develop over the road.

33. Independent Monitor, June 14, 1871. Later \$720,000 of the unrecognized bonds was recognized by the state. In addition to the figures listed by Major Sykes, the company went \$237,000 more into debt on July 1, 1871, when it again failed to pay the interest due on the bonds. Major Sykes fails to include the \$194,000 in bonds which the state of Georgia endorsed.

34. Ibid.

35. "Report of the Receivers of the Alabama and Chattanooga R. R.," 1873, Exhibit D, "Report of the General Superintendent." Microfilm copy of a pamphlet in the Library of Congress.

CHAPTER IV

THE BOSTONIANS LOSE THE ROAD

On December 13, 1870, J. C. Stanton informed Governor Lindsay that he would be unable to pay the interest due the bondholders January 1, and called on the Governor to pay the interest.¹ Lindsay asserted that he did not have the authority to make this payment and called on the legislature to give him the necessary authority.² The Republican Senate replied to the Governor's request by assuring him that he had the authority to pay the interest and urging him to make prompt payment.³ On the other hand, the Democratic House, even after an investigation,⁴

1. The American Annual Cyclopaedia and Register of Important Events of the Year 1871, p. 7. Stanton claimed he was unable to pay the interest because the demands by some of the local newspapers for state repudiation of the bonds had made it impossible to sell them. Actually, Stanton borrowed money from Welch and Brothers, Philadelphia bankers, on the understanding that he would use it to pay the interest. However, the money was spent in completing the road. "Investigation of 1872," p. 313.

2. Commercial and Financial Chronicle, XII (February 4, 1871), 140.

3. Montgomery Daily Advertiser, February 4, 1871.

4. "Investigation of 1871."

was unable to decide whether the Governor should pay the interest.⁵ One faction in the House led by W. C. Oates wanted to have the Governor conduct an investigation to determine the bona fide bond owners and then pay them. While another faction headed by R. B. Lewis, K. K. Boyd, and John A. Steele was for repudiation of both the state bonds and the state-endorsed bonds on the grounds that both the act loaning the Alabama and Chattanooga \$2,000,000 and the act consolidating the Wills Valley Company and the North East and South West Company were unconstitutional.⁶

A fight developed from the House dispute which split Alabama's newspapers into two opposing factions and attracted the attention of editors as distant as New York and London. The New York Times, making political capital of the threatened repudiation, contended that it was "too plain that the 'Democratic' faith of which he (Lindsay)

5. Montgomery Daily Advertiser, February 4, 1871.

6. Ibid. The consolidation act of October 6, 1868, which the repudiation faction claimed was unconstitutional was never used. The Wills Valley Company purchased the North East and South West Railroad at auction when the state foreclosed its mortgage on the North East and South West Railroad. Cf. ante, pp. 17-19. The repudiation faction's proposal made provision for contesting the constitutionality of the two acts in the courts. If the state supreme court should decide the acts were constitutional, the interest would be paid.

boasted in his telegrams, means little else than repudiation of the acts of his 'Republican' predecessors. It seems likely that other Southern states will follow suit upon a change in parties."⁷ The London Times also condemned the attempt to repudiate the bonds but expressed faith in Governor Lindsay's promise to pay the interest.⁸ The Alabama State Journal attacked Lindsay for not paying the interest immediately,⁹ while the Huntsville Advocate, another Republican paper, demanded that other railroads, like the South and North and Montgomery and Mobile, be investigated because these companies were using the money they received from sale of state endorsed bonds to pay the interest on their bonds.¹⁰ The Democratic papers were divided on the interest issue. The Montgomery Advertiser led the fight for those who favored the payment of interest to bona fide owners upon an investigation by the Governor.¹¹ The Advertiser was supported by the

7. Montgomery Daily Advertiser, February 8, 1871.
8. Ibid., February 10, 1871.
9. Alabama State Journal, January 28, 1871.
10. Ibid., February 10, 1871.
11. Montgomery Daily Advertiser, February 5, 1871,
et seq.

Eutaw Whig and Observer, the Elyton Herald, the Elyton Sun, the Opelika Locomotive, the Gadsden Times,¹² the Cherokee Advertiser, the Tuskegee News, and the Cross Plains Democrat.¹³ Some of the Advertiser's opponents, advocating repudiation, were the Montgomery Mail, the Selma Times, the Hayneville Examiner, and the Southern Argus (Selma).¹⁴

Increased pressure was put on the House to pay the interest when N. B. Forrest, former Confederate general who was president of the Selma, Marion and Memphis Railroad, telegraphed the House:

The State credit is sinking fast. Radical papers charge intentional repudiation on the Democratic party South, and unless the State pay the interest promptly, irreparable ruin awaits the railroad and state credit. Urge the party act immediately.¹⁵

This plea, however, was more than counterbalanced by a letter written by ex-Governor Smith to Governor Lindsay

12. Ibid., February 13, 1871.

13. Ibid., February 18, 1871.

14. Ibid., February 13, 1871; February 15, 1871; February 17, 1871; April 22, 1871.

15. Ibid., February 12, 1871.

in which Smith admitted his negligence in endorsing the bonds and advised partial repudiation.¹⁶

The members of the House were under such pressure from both factions that they passed conflicting bills on February 21. One provided for the payment of interest to bona fide owners, while the other provided for repudiation.¹⁷ Unexpectedly the radicals voted for the repudiation bill. The Montgomery Advertiser charged the Republicans with favoring repudiation because it would give Stanton a clear title to the road.¹⁸ Governor Smith's letter to Lindsay indicates this was a valid charge because Smith, his secretary, and the ex-secretary of state were later employed by the Alabama and Chattanooga Company.¹⁹ Also, N. B. Forrest's telegram and the article

16. Ibid., April 18, 1871; April 21, 1871; April 30, 1871. Smith advocated repudiating \$3,300,000 of the \$7,300,000 total state and endorsed bonds because, the purchaser, Erlanger, knew that the road was not constructed at the time of purchase. Also Erlanger purchased \$500,000 in bonds for less than the ninety per cent of par value which was required by law.

17. Ibid., February 22, 1871.

18. Ibid.

19. Ku Klux Report, p. 361.

in the New York Times indicate that the Republicans probably wanted to keep the threat of repudiation alive in order to get northern support for their reconstruction program.

On February 25 a bill finally passed the legislature authorizing the Governor to conduct an investigation to determine the bona fide bondholders, to pay them by means of a loan, and then, to take steps to recover the money from the Alabama and Chattanooga Company.²⁰ Between March 21 and April 5 Governor Lindsay determined that all the state bonds and the first four thousand endorsed bonds were in the hands of bona fide owners. The bona fide owners were paid by a loan obtained from Duncan, Sherman, and Company of New York.²¹

Lindsay's motive in paying the interest on the Alabama and Chattanooga's bonds seems to have been to perfect the state's claim on the road. He later tried to persuade D. N. Stanton to turn the road over to the state by threatening to foreclose the state's mortgage on the road. Whatever chance Lindsay had of forcing Stanton to do this

20. Acts of Alabama, 1870-1871, p. 12.

21. Montgomery Daily Advertiser, April 14, 1871.

disappeared on June 8, when the United States district court in Montgomery declared the Alabama and Chattanooga Company bankrupt.²² A story which the Chattanooga Times circulated during August, 1871, if true, helps explain D. N. Stanton's refusal to turn the road over to the state. The Times maintained that in June, 1871, D. N. Stanton had paid \$100,000, mostly in bonds and securities, to a close associate of Lindsay's named McKay. McKay was to use the money to bribe Governor Lindsay not to foreclose on the Alabama and Chattanooga Company. McKay kept the money, but told Stanton he had made the desired agreement with Lindsay. This made Stanton feel secure against legal action by the state.²³

22. "Message of Governor Lindsay to the Legislature, November 12, 1871," Journal of the House, 1871-1872, p. 19. The petition was made by W. A. C. Jones on a \$15,000 claim against the company. Commercial and Financial Chronicle, XII (June 17, 1871), 753. Jones had played a leading part in the negotiations which led to the formation of the Alabama and Chattanooga Company. Cf. ante, Chapter I, passim.

23. Alabama Beacon (Greensboro), August 12, 1871; Independent Monitor, August 9, 1871. D. N. Stanton is alleged to have told Colonel Rhodes that Lindsay would not dare seize the Alabama and Chattanooga because he had accepted Stanton's bribe. When Stanton's claim that Lindsay had been bribed by McKay was brought to Lindsay's attention, Lindsay obtained a written confession from McKay. Lindsay received letters from Stanton in which Stanton referred to the "arrangements he had made with your (Lindsay's) agent."

During this time, J. C. Stanton was having trouble with some of the residents of St. Clair County who were expressing their disapproval of him by derailing his trains. A group of the citizens of Springville, the leading town in the county, held a meeting in protest of the derailings. They offered a two hundred dollar reward for the conviction of anyone found guilty of attempting to derail a train and pledged themselves to prevent future derailings. They also expressed confidence in Stanton's honesty and in his intention to pay his debts.²⁴ Governor Lindsay found it necessary to offer a reward for the conviction of persons placing obstructions on the track of the Alabama and Chattanooga.²⁵

Stanton's unpaid employees seem to have completely lost faith in him. Late in the night of June 15 some of Stanton's employees in Chattanooga seized a passenger train and proceeded toward their homes in Alabama. Stanton's telegrams to sheriffs along the line to stop the train accomplished nothing, and the train was last seen going through Tuscaloosa.²⁶ The train was probably

24. Independent Monitor, June 7, 1871.

25. Ibid., June 21, 1871.

26. Ibid., June 12, 1871.

bound for Meridian, where Stanton's unpaid employees had organized and seized the company's rolling stock and equipment as security for their back wages.²⁷ On July 26, some of the Meridian employees went on the offensive. They proceeded to Tuscaloosa in one of the Alabama and Chattanooga trains to intercept a freight train which was due to arrive there on that day. They stopped their train about a mile south of Tuscaloosa and walked into town, where they found the recently arrived train. Upon discovering that the crew had gone to dinner, they detached the engine and took it to Meridian.²⁸

During this time, trains seldom ran on schedule, and the Tuscaloosa merchants were very critical of the irregular train service. Throughout June, trains had practically stopped running, and when they resumed operations on July 1, they were extremely unreliable.²⁹

Early in July, the decision declaring the Alabama and Chattanooga bankrupt was reversed by Judge Wood of the Federal Circuit Court of Mobile. Judge Wood ruled that

27. Ibid., June 14, 1871. Stanton had ordered his employees to send all the rolling stock to Chattanooga.

28. Ibid., July 26, 1871.

29. Ibid., July 5, 1871, et. seq.

W. A. C. Jones, the creditor who sued the company, did not have a substantial claim against the company. During the trial it was made clear that the company could be sued for bankruptcy by anyone with a valid claim,³⁰ thus, leaving the way open for Governor Lindsay to take action against the company. Lindsay ordered his private secretary, Colonel John H. Gindrat, to seize the road for the state. On July 28, Gindrat proceeded to Meridian, where he began the action which eventually brought the road under the control of the state.³¹ The Stantons had lost their road and the Alabama and Chattanooga Company had entered a new phase of development.

30. Mobile Weekly Register, July 8, 1871.

31. "Report of John H. Gindrat, Receiver of the Alabama and Chattanooga Railroad to the Governor," Alabama State Documents, 1871.

CHAPTER V

CONCLUSION

The Stantons and their associates were able to obtain the North East and South West Railroad, its privileges, and most of its property for \$750,000 in Alabama and Chattanooga second mortgage bonds. Most of the creditors and the stockholders of the North East and South West Company received nothing from the sale of the railroad as a result of the shrewd manipulations of the Stantons, Governor Patton, and Governor Smith and the corruption and inexperience of the radical Republican legislature.

J. C. Stanton, who proved to be an able construction supervisor, rapidly constructed a well built road. However, the Stantons and their associates proved to be corrupt and used the liberal financial aid which they received from the State of Alabama for private projects not connected with the construction of the road. As a result of this misuse of funds, the Stantons were unable to pay the interest due their bondholders and had to resort to flimsy construction work in order to complete the road. The inability of the Alabama and Chattanooga Company to

to meet its financial obligations led to the State's seizure of the road.

Although the inexperience and corruption of the radical Republicans was mainly responsible for the frauds connected with the financing of the construction of the Alabama and Chattanooga Railroad, the Republicans were not solely responsible for these frauds. The Stantons were welcomed by the Democrats in the areas of the State which would benefit from the construction of the Alabama and Chattanooga Railroad. Governor Patton, a Democrat, did more than any other Alabamian to aid the Stantons in the formation of their company. The acts which made these frauds possible were supported by both Democrats and Republicans. The Democratic owners of railroads appear to have bribed legislators as freely as Stanton bribed them. Much of the Democratic opposition to the Alabama and Chattanooga Company resulted from commercial rivalry rather than opposition to the corruption connected with the financing of its construction and was destructive rather than constructive.

The people of Alabama paid a high price for the construction of the Alabama and Chattanooga Railroad. However, had the Stantons not secured control of the road, it is probable that it would not have been completed for many years.

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