

# An Example of "Other People's Money": Dutch Capital in American Railroads

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Capitalists in the Dutch Republic during the 17th and 18th centuries had found a way to invest at least part of their accumulated surplus savings in domestic and foreign state loans. The French Revolution had put a temporary stop to these activities, but after the regaining of independence and the formation of the Kingdom of the Netherlands in 1815 there was a renewed interest in foreign investment. Although the economy of the country was in shambles, there still was a surplus of capital looking for suitable investment. Possibilities at home were few. Modern industry did not start on a substantial scale until the late 1870s; shipping did prosper for a short time only; the colonies, especially the East Indies, did absorb some capital, but not on a large scale until the end of the nineteenth century. Foreign investment remained attractive and several European and American countries became regular visitors on the Amsterdam Stock Exchange [18].

The Dutch government frowned upon foreign investment as a drain of capital that could otherwise have been employed in building up the domestic economy. For a time it was even officially forbidden to invest in foreign securities, except with special royal permission. The measure, never strictly enforced, was abolished in 1824 [1, 28]. Income from interest and dividends was not taxed, and stocks and bonds were not included in the taxes on property, making this kind of investment most attractive. On the other hand, securities were included in the inheritance taxes, and foreign paper was even taxed to twice its market value until 1859. A stamp duty of 30 cents for every 100 guilders (par value) was levied on all foreign securities, but in 1856 this duty was reduced to only 5 cents per 100 guilders.

The United States of America had always been considered a reasonably safe place for investment, and for a time Federal and State loans became

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quite popular with the Dutch investing public [23]. The internal improvement loans of several states, meant for the building of canals or turnpikes, were sold in Holland, and in this roundabout way some of the very early railroads in America, such as the Baltimore & Susquehanna, supported by the state of Maryland, got at least part of their capital from Amsterdam [8, pp. 14-37]. Other early railroads, such as the Batavia & Buffalo and the Tonawanda, both in New York, were helped by the Holland Land Company, which had been operating in Western New York since the 18th century. The problems with the payment of interest or the outright repudiation of their public debts by several states in the 1840s and 1850s made Dutch investors shrink away from American securities for a time [15, 29]. Czarist Russia took over as the chief sphere of interest of Dutch capitalists.

American railroad securities as such were first offered in Amsterdam in 1856, more or less by accident. The Illinois Central was then being built, largely with funds provided by the London houses of Charles Devaux & Company and Robert Benson & Company. The Crimean War, however, had made the English money market difficult to handle, and part of the Illinois Central bonds and shares that could not be marketed in London were offered in Amsterdam instead. And with success, as they were easily sold. The Illinois Central proved to be one of the better railroads and it made a lasting impression in Amsterdam.<sup>2</sup>

Encouraged by this success, the next American railroad to enter the Dutch market was the obscure Galveston, Houston & Henderson, deep in Texas [17, pp. 75-79, 352-56].<sup>3</sup> And here again, the initiative was not taken by Dutch bankers or brokers, but by French houses with business connections in Holland. French interest in Texas during those years ran high, for political and economic reasons, but it proved to be difficult to market the whole Galveston issue in Paris. These bonds gave 8 percent interest, and with the low price at which they were being offered, a return of 10 percent on the money could be had. Small wonder that Dutch capitalists were interested. Unfortunately this railroad turned out to be one of the worst among many fraudulent schemes. Already in 1860 the interest could no longer be paid and a receiver took over. But, unknown to the French and Dutch investors, two earlier loans, secured by mortgages ranking before the 8 percent loan, had

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<sup>2</sup>Most of the material used in establishing the history of American railroad securities for this study and for the book that is to follow has been collected from the Archives of the Amsterdam Stock Exchange (hereafter AASE). Every government, state, institution or company whose securities have ever been listed on the Amsterdam Exchange has a file in these archives, although the earlier files are sometimes lacking completeness. The Illinois Central securities are to be found in file nr.67; the Missouri, Kansas & Texas, although introduced much later, in nr.8. The help of Mr. Herbert W. Günst, archivist of the Stock Exchange, now retired, has been invaluable.

<sup>3</sup>AASE file 1554 holds the Dutch Galveston papers. Apparently they were brought together only much later, judging by the high file number.

been issued. When the railroad was sold at foreclosure in 1872, nothing was left for the unfortunate owners of the last loan and the investment had to be written off.

Besides the Illinois Central and Galveston bonds, other railroad securities were marketed in Amsterdam in the years before the Civil War, but few traces of them have been found. It is fairly certain that Michigan Central shares and bonds were held in Holland before 1860, and New Orleans, Jackson & Great Northern bonds have also been found mentioned as early as 1857.<sup>4</sup> The Civil War brought a temporary halt to new American railroad loans, but many of the Union war loans were bought in Holland, while even a few of the Confederate loans, including the infamous cotton loans, seem to have been held to a certain extent there.

One of the first railroad bond issues sold in Amsterdam immediately after the war was of a company with great expectations, which, however, never quite materialized. It was the Atlantic & Great Western, closely allied to the infamous Erie Railroad, the "Scarlet Woman of Wall Street," and soon a disaster to both brokers and investors alike. At every successive receivership and reorganization, the foreign capitalists, mostly English but also many Dutchmen among them, lost some of their investment [16].

The next railway with large-scale Dutch investment in its capital structure, the St. Paul & Pacific, was little better. Of the \$28,000,000 (par value) put up by the Dutch since 1865, only a small amount could be retrieved at the sale of the company to James J. Hill in 1878. There were rumors of fraud by Hill and his associates to drive down the price of the bonds as far as possible, but these accusations have never really been substantiated. On the other hand, building railroads in the Minnesota wilderness, ahead of civilization, could never have been profitable in the first years, and the Dutch were unwise to expect a handsome return on their money so soon [9, 20].

The St. Paul & Pacific debacle, for the first time, meant an important personal involvement on the side of the Dutch brokers. Until then they had been content with the crumbs left over by British or French bankers, but from then on a more active role of the Amsterdam brokers became visible. They started looking for business, and as in the post-Civil War period railroad building in the United States was undertaken on an unprecedented scale, business was not long in coming.

A deluge of American railroad loans soon flooded the Amsterdam Stock Exchange. Between 1867 and 1873 about 80 new loans were marketed there, with a few issues of shares thrown in. The money involved ran into many millions of dollars, according to some estimates even into the hundreds of millions [1, pp. 159-63]. A distinct preference for bonds had become clear by now. Bonds were considered safe, because they were generally secured by a mortgage on the property, although even such a mortgage could be without

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<sup>4</sup>Notices about the Michigan Central securities appeared for the first time in the *Amsterdamsch Effectenblad* of 27 October 1857; those of the New Orleans, Jackson & Great Northern on 18 December of the same year.

value, as the Galveston affair had shown. Shares were mostly seen as water, and dividends were not really expected. There were exceptions to this rule, of course, and shares of the Illinois Central and of some others, such as the Rock Island or the Chicago & Northwestern, were widely held in Holland and did indeed pay regular dividends.

Among the host of railroad companies introduced in Amsterdam in the 1870s there was many a line that could show only a charter, an over-optimistic prospectus describing in glowing terms the future of the area to be traversed by the road, and sometimes a few miles of jerry-built line. A land grant was considered an extra security, although such lands could only be profitably sold after the railroad had been built, as the Dutch knew all too well after the St. Paul & Pacific affair.

And there were frauds, as always. After the Civil War, several Florida railroads had fallen into the hands of carpetbagger politicians and promoters, who were first and foremost interested in lining their own pockets at the expense of the foreign bondholders. Some state legislatures freely issued state bonds to help the rebuilding of their railroads after the war, and most of this money disappeared into the pockets of unscrupulous promoters and politicians. A next legislature then simply declared the issue of bonds by its predecessor unconstitutional, and the foreign bondholders were left out in the cold [15, pp. 303-04; 19, pp. 94-95; 6, pp. 4-6].

A practice more common with gold or silver mines, was the "salting" of unprofitable mines with ore to sell the properties to unsuspecting parties. A couple of holes along the right of way of the Rockford, Rock Island & St. Louis in Illinois were filled with coal dust to impress the foreign investors with the exceptional value of the "coal lands" held by the company [5, p. 732].

Another common kind of swindle was the construction company. A construction or finance company was incorporated, in theory quite separate from the railroad it was supposed to build or finance, but in practice almost always set up by the same men behind the railroad itself. The construction company then contracted to build the line in return for a fixed sum per mile - generally much too high - in bonds and shares of the railroad. The promoters of the road thus got a nice sum in bonds, and if they were quick enough, they could unload these with a profit on an unformed public. If the road went bankrupt, they had cleared out, and if it turned out to be a paying proposition after all, they were still in control through their stock ownership [3, pp. 133-48].

To combat these various ills, the Dutch bondholders and their representatives became more assertive, especially after the general crisis of 1873 had thrown many railroads into receivership. These representatives were often, but not always, American bankers acting on behalf of the Dutch, and sometimes the Dutch cooperated closely with English or German bondholders. The later famous Edward H. Harriman began his career as director of the Illinois Central in 1883 through the combined influence of Gebr. Boissevain of Amsterdam and Stuyvesant Fish, then vice-president of the company [28, p. 220]. Henry Villard, the German journalist turned banker and railroad president, acted for his own countrymen and for the Dutch bondholders in both the Kansas Pacific and Oregon & California reorganizations [2]. John

Collinson, a London banker, acted for both the English and Dutch bondholders in the early stages of the Atlantic, Mississippi & Ohio receivership. And now and then the Dutch represented German bondholders as well, as in the case of the Florida Transit debacle and the Cairo & St.Louis affair [10, pp. 383-86; 13, pp. 1-14].

When the Dutch interests in a railroad were very large, they generally acted on their own through their own representatives. The names of F.W. Oewel, W.F. Piek and J.H. ten Have have been found many times on reorganization committees and in American boardrooms. Ten Have was a director of the Chicago & North Western for about a decade in the 1870s. Piek bought the Denver & Pacific in 1878 at the foreclosure sale on behalf of the bondholders, and later engineered its profitable sale to Jay Gould of the Union Pacific [14, pp. 252-53]. Oewel was active in several reorganizations, such as the Atlantic & Great Western, the Paducah & Elizabethtown, the Cairo & St.Louis, and many others. The latter line was owned after its reorganization in 1881 by the Amsterdam firm of Wertheim & Gompertz, Westendorp & Company, and F.W.Oewel, who held a majority of the common stock and about 90 percent of the bonds. They decided the fate of the line and leased it to the Mobile & Ohio in the early 1880s. Jac. Wertheim, an Amsterdam lawyer, fought on behalf of the Dutch bondholders of the Jacksonville, Pensacola & Mobile Railroad all the way to the U.S.Supreme Court in the famous suit "Holland vs. State of Florida," finally decided in his favor in 1879 [15, pp. 298-304].

The 1873 crisis in America can be seen as a watershed: before that year every kind of loan had been offered in Amsterdam, ripe and green, safe and sound, sometimes even bordering upon the fantastic, and apparently the Dutch investing public had swallowed everything. Brokers were most careless in checking the background of the promoters or the figures offered by them. Revenues were always estimated much too high, with costs of operation too low, resulting in most optimistic expectations. But after the heavy losses suffered by the Dutch public in these years, they became more cautious. Names such as Lion Hertz, who had offered some of the most unsatisfactory loans in Amsterdam, disappeared, and others, such as Wertheim & Gompertz, Broes & Gosman, Ten Have & Van Essen, Gebr. Teixeira de Mattos, and Gebr. Boissevain came to the fore. They specialized in railroad securities and had established contacts in America and they were thus supposed to be better judges of the soundness of new schemes.

One wonders what made these American railroad loans so popular. As has been said before, opportunities for investment were scarce in those years, and relatively high-renting bonds even scarcer. The 7 or 8 percent American railroad loans, offered at prices generally between 65 and 80 below par, could mean an actual rate of interest of around 10 percent, making them, of course, very attractive. And when a capitalist confined himself to prosperous and well-managed railroads such as the Illinois Central, Rock Island, Central Pacific and a host of others, his investment was pretty safe.

There is another element to be taken into account, that of speculation. As almost anybody, Dutchmen love to gamble now and then, as the tulpomania of the 1630s and the bubble companies of the early 18th century

have clearly shown. American railroad securities could be an eminent means of quick gains, that is, if one played the game well. Low-priced but high-renting bonds, bought at bargain prices, had a tendency to rise in price as long as the interest was regularly being paid. The problem was, of course, to decide when the company was going to default, to be able to unload the bonds on someone with less insight, who would be left with the worthless paper. Some railroads paid their half-yearly coupons only once or twice, others stuck it out for some more years, and no one could predict exactly what was going to happen, hence the gambling element.

There are rumors that Amsterdam butchers, after having had a good week, tried their luck on the Stock Exchange in American securities. Such things are hard to prove, but it may not be a coincidence that the high tide of the Amsterdam diamond trade in the early seventies came at the same time as the flood of American railroad securities. The so-called Cape period, when the diamond fields of the Cape Colony flooded the market with diamonds in quantities never seen before, provided the Amsterdam diamond trade with new opportunities and enormous profits were made. The diamond business was largely in Jewish hands, and a number of stockbrokers were Jewish as well, so it may not be too much to suppose a link between the two.

And there were other reasons: even ideology continued to play a role, albeit a minor one. America was a democracy and investments in that country were not going to finance the production of arms, which in time could be used against "our own children," as one Dutch writer put it succinctly. Comparing with autocratic Russia or Austria, he certainly had a point [1, p. 141].

Generally, American railroad securities did not have a good name during the 1870s, although there were exceptions to the rule. The "Nederlandsche Bank," the Dutch national bank, however, did not make any distinction between good and bad and refused to accept any American railroad securities as collateral for loans. Only in 1870, during a short money crisis caused by the Franco-Prussian War, did they change their policy and accept a few classes of American railroad securities [21, p. 450].

To avoid thorny legal problems about ownership of shares, some of the larger Dutch stockbrokers established the so-called "Administratie Kantoren." The Dutch-held shares of a railroad were officially transferred to their name, and they in turn issued certificates to the individual owners. The Administratie Kantoor then cashed the dividends, if any, and distributed the proceeds to the owners. And when an American railroad company got into financial trouble or in cases where fraud was suspected, the Administratie Kantoor could act much better in the interest of the Dutch stockholders than any individual.

To make it even easier for small savers in Holland, the same brokers commonly set up an early kind of investment fund. The public could buy shares in one of these funds, and the money was invested in American railroad securities. Hope & Co. was very early in this field with their "Gemeenschappelijk Bezit van Amerikaansche Effecten, series B," which held mostly railroad securities, established in 1858 [5, pp. 611-30]. After Hope had shown the way, others soon followed with investment funds set up along the same lines.

But, even with all these precautionary measures, things could go wrong. Whenever a railroad company with a sizeable Dutch capital invested went bankrupt, a bondholders protective committee was set up. The initiative was generally taken by the brokers who had marketed the bonds originally, and a few members were added by the Stock Exchange Committee. They convened a meeting of all interested parties, to see how many bonds or shares were actually still held in Holland and to discuss joint action. For the historian the minutes of these meetings - when found - are a treasure trove, because everyone attending was required to indicate how many bonds he actually held or represented. In this way one is able to see how much of a certain bond issue was owned by Dutch investors.

Apart from the early examples already given, Dutch representatives also played a role in the reorganization of some American railroads in the 1890s. Adolphe A.H. Boissevain was a member of the Union Pacific committee after 1893, Johan Luden held the same position on the Santa Fe in the same years, and both represented the German security holders as well. During the problems caused by speculation on the part of several of the directors of the Louisville & Nashville in 1883-1884, the Dutch stockholders were material in removing the old board, including the notorious Jay Gould and his henchman Russell Sage, and replacing them with trusted bankers such as August Belmont, whose father had been American minister in The Hague in earlier years and was still known for his integrity [12, pp. 214-20].

Regulation of the Dutch stock market came rather late, and then only in the form of self-imposed internal rules. The government generally abstained from interference until much later in the twentieth century. The incorporation of the "Vereeniging voor den Effectenhandel" (Society for the trade in stocks and bonds) in 1876 did mean some regulation [4]. Stockbrokers were required to give particulars of the stocks or bonds they were trading, and inclusion in the official price lists meant that they had to deposit a caution (Dfl 500) for every issue they wanted to see listed. Moreover, they had to publish a prospectus in Dutch about the railroad in question, the purpose of the loan etcetera, including a copy of the last annual report, to make sure that the railroad company really was in business. But inclusion in the price lists did not mean a guarantee of the solidity of the issue, only that the broker had complied with all requirements and that there was trade in the securities.

Dutch influence on the actual running of the railroads they invested in is negligible. Even when they held a majority of the stock, as in the case of the Denver Pacific or the Cairo & St.Louis, they were in a hurry to sell or lease the railroad to others. Thoughts of running the road themselves hardly ever seem to have entered their heads, as they were well aware of the problems such a move would generate. The Denver Pacific was sold as soon as possible, and for a good price, when a buyer, in this case Jay Gould himself, turned up in Amsterdam. The Cairo & St.Louis was leased on profitable terms to the Mobile & Ohio, and there are other instances of the Dutch owners shrinking away from actually operating the railroads they happened to have on their hands. And it is doubtful if Dutch directors, such as Ten Have of the Chicago and North Western, did influence the day to day operations of that railroad to any extent.

Dutch influence on American railroad technology is even smaller. Several Dutch engineers were involved in the building and operation of American railroads, but they conformed quickly to the established American construction standards, which were quite different from those of the home railways with their mixture of English and Continental influence. One person, however, did contribute not only to American, but to worldwide railroad technology. This man, Albert Kapteyn, is little known even in his own country, but as director of the London branch of the Westinghouse Brake Company, he was the one who came up - in the early 1870's - with the idea of improving the triple valve, an essential part of the railroad air brake system, thereby making it generally acceptable for both passenger and freight trains [24].

All in all, Dutch investment in American railroads is, of course, an almost perfect example of portfolio investment. No questions were asked as long as the interest on the bonds was paid regularly, and only when things went wrong did the Dutch brokers or bankers come into action. And as soon as some agreement had been reached or a reorganization had been worked out, they again left the running of the railroad to the experts and were content to cash the dividends, if any, and collect the interest.

To charge the Dutch with shameless greed, as has been done in the case of the St. Paul & Pacific, seems to be an unfounded accusation. They have been made the villains of the piece, while James J. Hill and his partners are the heroes of the story, who rescued the fledgling railroad from the clutches of the Dutch capitalists, who were only interested in money [11, pp. 55, 65]. Of course they were, and that is what they had invested their savings for. Hardly any of them will have known where Minnesota was or what the railway was supposed to do. They had been led to believe that a reasonable return on their money could be expected and that was that. One of the established customs of the investment business was the regular payment of interest on the bonded debt. When a company defaulted on this payment, the bondholders had the right to demand a foreclosure sale to get their investment back. In the case of the St. Paul, this was exactly what they wanted: recuperate their millions invested in an unprofitable line in an unknown land, and when Hill made them an offer, they were willing to listen. That they bargained with him over the price was only natural and Hill did not expect anything else. He wanted to pay the smallest possible sum and the Dutch, Johan Carp in this case, tried to get the most for their bonds. If one wants to call that greed, then Hill was just as greedy as the other party.

It may even be argued that they were interested in the well-being of the state of Minnesota, because they accepted payment not in cash, but in bonds of the new St. Paul, Minneapolis & Manitoba Railway, Hill's creation, in which he incorporated the old St. Paul. That they accepted the bonds of this road, after all still an unknown quantity at the time and organized by an unknown provincial businessman, says more about their faith in the future of the state and the railroad than all rumors about their greed do to the contrary.

Another question I would like to address is the possibility of a link between Dutch investment in railroads and emigration to the United States. The Holland Land Company has already been mentioned, and it did try to promote emigration to its holdings in western New York and at the same time

it did support the early railroads in the area. But the Holland Land Company was already on its way out and did not play a conspicuous role [7].

The first large-scale Dutch emigration to America was the wave of protestant dissenters who established colonies in Michigan and Iowa in the 1840s. No direct proof of any involvement of these settlers in the railroads of their region has been found, but it is true that railroads in both Michigan and Iowa attracted much capital from Holland from the start. The Michigan Central was one of the first to sell shares in Amsterdam and they were included in several of the early investment funds. And almost all other railroads operating in the state of Michigan had at least some Dutch money in their capital structure, from the healthy Lake Shore & Michigan Southern to the less respectable Port Huron, to the obscure Traverse City in the far north. Much the same applies to Iowa. Is this just pure accident, or did Dutch investors favor railroads in states about which they knew at least something? Information about these states must have been widely available through correspondence between kinsmen and personal visits.

The link between emigration and investment is much more clear in the case of the St. Paul & Pacific. A Minnesota Land Company was incorporated in 1866 to promote the emigration of Dutch farmers to that state, and farm lots could be bought with cash or with bonds of the railroad [1, pp. 178-79]. Director of the land company was H. Kloos, a brother of the civil engineer Johan H. Kloos who was employed by the railroad company. M.E. d'Engelbronner, an other Dutch civil engineer and member of the prestigious Royal Institute of Engineers in the Netherlands, was land agent in Minneapolis. Because of the failure of the railroad the emigration schemes never amounted to much, but Kerkhoven, west of Minneapolis, and named after one of the Amsterdam brokers involved in the St. Paul & Pacific, was settled by Dutch farmers and other Dutchmen scattered all over the state.

The Maxwell Land Grant Company of Amsterdam was originally an English scheme, taken over by Dutch investors in 1874. The aim was to settle the land of the company, some 2 million acres in New Mexico, with Dutch farmers and stock raisers and to build railroads to open up the country, together with General Palmer's Denver & Rio Grande Railroad, in which a large amount of Dutch money had already been sunk [25]. Not much came of all these splendid plans, but the company is still listed in Amsterdam as an investment fund.

One more railroad in which the Dutch interest was extremely large, but which was different in almost all respects, remains to be mentioned. It is the Kansas City, Pittsburg & Gulf, the brainchild of Arthur Stilwell. It came just after the 1893 crisis, at a most unfortunate moment, and yet Stilwell managed to get millions in Holland. He did this without having recourse to the usual channels of Wall Street banks and their Dutch associates, but he himself went straight to Amsterdam, bringing personal recommendations to one of the specialized brokers there. And, something which had never happened before, the Dutch also took over the two construction companies that Stilwell had already incorporated. Apparently they were wise to the fact that these construction companies were the way to make profits, and they turned out to have been right [27].

The railroad was built with the Dutch money, went bankrupt in the usual way and was reorganized as the Kansas City Southern. Also as usual, the Dutch bondholders had to accept some losses, but their investment in the railroad was maintained and became profitable in the long run. The backers of the construction companies were the real winners. The land they had acquired as part of the deal became valuable, even more so than they could ever have dreamt when oil was found in East Texas early in this century. Port Arthur, the terminus of the railroad, became a Dutch-owned town and nearby Nederland a center of rice culture, settled by Dutch rice farmers from the East Indies. But the oil industry provided the real big money and the Dutchmen who had invested in the construction companies got their money back several times over.

The Kansas City, Pittsburg & Gulf was the last of the major railroad issues to be introduced in Amsterdam. Of course there were other new loans on a smaller scale offered to the Dutch public by new brokers such as Salomon F. van Oss, the well-known journalist turned stockbroker, who was aggressively looking for business early in the 20th century [22, 26]. And there are many other examples of new railroad loans of old-established or newly formed railroad companies being sold in Holland. The real interest, however, was slowly fading. Much higher rates of return were to be had both in domestic and in foreign industrial companies. Dutch industry had at long last reached a level where it could compete with foreign production, and it offered attractive opportunities for investment. Agricultural companies in the Dutch East Indies became a popular and highly profitable form of investment as well, and the new oil industry, both in the Indies and elsewhere, could absorb enormous amounts of capital, with profits generally at a high level. Compared to these investments, sinking money in American railroad loans, giving no more than between 3 and 5 percent, seemed no longer attractive. Moreover the speculative element of these loans had been lost by now, as their price at introduction was often not much below par. Yet new loans continued to be offered in Amsterdam into the 1930s and Dutch capitalists continued to take them up.

Is it possible to discover some system in the geographic spread of the railroads that attracted Dutch capital? It has been said that the Dutch entered the field late, and therefore could only invest in newer lines in the West. New England, which was early in developing a network, is indeed almost completely absent from the Dutch portfolios, and securities of only one or two lines in that area were ever marketed in Amsterdam. On the other hand, the Baltimore & Ohio, one of the first railroads in America, did sell its shares in Amsterdam very early, so this argument holds little truth. A major area which was almost totally absent in the portfolios of the Dutch investors was the Southeast, except for a few small lines in Florida. The only major southern railroad with Dutch money behind it from the start was the Louisville & Nashville, while the Southern Railway entered the Dutch capital market only much later. New York and Pennsylvania railroads did attract Dutch capital, but much less than those in the states of the old Northwest such as Ohio, Indiana, Illinois and Michigan. The Midwest also showed a heavy concentration of Dutch investment, extending to the Southwest, where the

system of the Missouri, Kansas & Texas relied heavily on Dutch capital, and to the Northwest, with the Great Northern as major road. The other transcontinentals, Union Pacific and Atchison, Topeka & Santa Fe, also sold many of their securities in Amsterdam, but the railroad, including predecessor lines, with the greatest number of different securities sold in Holland was the Southern Pacific. Thirty issues of bonds and shares of this system have been marketed over the years in Holland; the Illinois Central and the Union Pacific come next with 14 each, while the Santa Fe and the Chicago and North Western are runners up with 12 and 11 each. Before 1914 a total of 243 different American railroad bond issues have been traded in Amsterdam, plus 11 more loans of tramways and interurbans, against 84 railroad shares, plus 7 more tramway shares, giving a grand total of 345 American railroad securities known in Amsterdam before 1914.

Who were the people that invested their savings in American railroad loans? It has been said that many a small shopkeeper or artisan put some of his little savings into American rails, sometimes with disastrous results as we have seen. But investment in blue chip stocks such as the Illinois Central was deemed most suitable for spinsters and orphans and others who were looking for a safe place to invest, coupled with a reasonable return on their money. An additional advantage of American railroad securities was their relatively small denominations, \$100 or even less. Bonds of \$1000 were sometimes split by the Dutch Administration Offices in certificates for \$100 (Dfl 250), making them very suitable for the small investor.

Around 1880 it was estimated that of the total Dutch national wealth, 10 percent was invested in domestic government bonds, and 20 percent in foreign securities. At this time a total of 611 securities, both domestic and foreign, were included in the price lists of the Amsterdam Stock Exchange, of which 123 were American railroad securities, or more than 20 percent of the total. Around the turn of the century the total of listed securities had grown to 1010, of which 147 were American railroads, still a most respectable 14.7 percent. It is safe to assume that quite a number of strongboxes around the nation contained at least some American bonds or shares.

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