



Ownership of Railway Stock in France and the United States, 1840-1940: The Mystery of Missing Data and Why That Matters

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Alfred Neymarck and Olivier Moreau-Néret published data in the late nineteenth and early twentieth century indicating that France was a “financial democracy” because ownership of stock and bonds, including railway securities, was broadly distributed throughout the population. Thus, one important reason that successive French governments loaned money to insolvent private railways may have been to protect the savings of small investors. However, the fact that institutional investors also owned large blocks of rail stock, which allowed them to control railway management, leads me to question the financial democracy argument. Because Neymarck and Moreau-Néret do not reference their primary sources, I have been unable to re-analyze their data. I hypothesize that they chose this course because their data came from government sources widely accepted as valid in public and scholarly discourse—a proposition I will test by searching government archives.

Why did France and the United States, both countries where railways dominated transportation from the mid-nineteenth century through the Great Depression, end up with very different transport systems only a few decades later? France developed a balanced system of high-speed trains, superhighways, and airlines, whereas in the United States railways declined to near irrelevance as highways and airlines became dominant. A comprehensive article summarizing many of my research conclusions concerning these issues appears in *Enterprise & Society*.¹

¹ James Cohen, “Divergent Paths, United States and France: Capital Markets, the State and Differentiation in Transportation Systems, 1840-1940,” *Enterprise & Society* (Sept. 2009): 449-97.

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One aspect of my research concerns ownership of railway securities, which I argue was an important factor influencing French and American government decisions concerning railways, particularly during the 1930s, a watershed period for differentiation of the two countries' transportation systems. In the United States, banks, insurance companies, and large institutional investors owned most rail securities, while in France ownership of rail stock and bonds was more widely dispersed among individual citizens. Recent work, however, including a further look at the French data, has caused me to rethink my argument about the importance of widespread individual ownership of rail stock in France as compared with the United States. In this paper, I focus on the French side of my cross-national comparison.

Throughout the period from the mid-nineteenth century through the Great Depression, French and American railway stocks differed radically in their intrinsic characteristics. French railway stock carried a fixed rate of interest, bore minimum and maximum dividends, and had a fixed term for amortization. The law required private railway companies to set aside a portion of revenues for interest, dividend, and amortization payments, and the government guaranteed those payments if the companies fell into insolvency. In short, French railway stock had more of the characteristics of a government-guaranteed bond than of what Americans think of as equity capital, which is more purely risk capital. Owning French railway stock bore little risk and provided guaranteed returns on investment. I argue that differences in the characteristics of French and American stock resulted in significant national differences in the distribution of stock ownership and in differences in the way the French and American governments responded to the financial crisis of the 1930s.²

In France, stock ownership was much more broadly dispersed among individual investors than in the United States, where major financial institutions owned large blocks of rail stock and bonds. Because French railway stock was effectively a guaranteed source of income, by the late nineteenth century millions of French citizens had added those stocks to their savings. Alfred Neymarck, a well-known statistician of the period, published numerous books and articles arguing that France was "une démocratie financière," a financial democracy, with millions of small investors owning railway stocks and bonds.³ Regrettably, Neymarck's data extend only to 1909 (see Table 1). However, Olivier Moreau-Néret published a book in the late 1930s that includes the only data on stock ownership subsequent to Neymarck's that I have found. Moreau-Néret's data for 1937, the year of railway nationalization, indicates that Neymarck's financial democracy was still in place among French stockholders (see Table 2).⁴

² Ibid.

³ Alfred Neymarck, "Les chemineaux de l'épargne," *Journal de la Société de Statistiques de Paris* 52 (April 1911): 122-66.

⁴ Olivier Moreau-Néret, *Les valeurs mobilières*, 2 vols. (Paris, 1939), 2: 272.

TABLE 1
France as a Financial Democracy: Neymarck's Data for 1909

Year	Number of Stock Certificates	Average Number of Shares per Certificate
1860	40,846	28.33
1870	64,496	20.55
1880	74,744	17.69
1890	93,103	14.87
1900	112,026	12.49
1909	112,193	10.85

Source: Alfred Neymarck, "Les chemineaux de l'épargne," *Journal de la Société de Statistiques de Paris* 52 (April 1911): 122-66.

TABLE 2
France as a Financial Democracy: Moreau-Neret's Data for 1937

Number of Shares Owned	Percentage of Owners
1	22.6
2-10	50.4
11-50	23.0
> 50	4.0

Source: Olivier Moreau-Néret, *Les valeurs mobilières*, 2 vols. (Paris, 1939), 2: 272.

Because of broadly dispersed ownership by small investor-savers of government-guaranteed rail stock in France, I argue that, from the 1840s to the 1930s, French governments continuously loaned large sums to insolvent private railways. This was in part to prevent losses to rail stockholders, who were a significant segment of French society, and to avoid the political backlash that would accompany any downturn in the value of those securities. When the private railways were nationalized in 1937, the government ceded 49 percent of stock ownership in the new National Railway Company (SNCF) to the existing rail stockholders at a very liberal capital valuation, and it continued its historic guarantees on the dividends and interest of rail stock until it was fully amortized at the end of the 1950s. In short, I argue that Neymarck's financial democracy was a major influence on French government decisions at the time of nationalization, while in the United States at the same time, ownership of rail securities by large financial institutions was a major influence on

president Franklin Roosevelt's policy toward capital markets and, in turn, on how those markets affected transportation.⁵

However, three aspects of Neymarck and Moreau-Néret's argument have always troubled me. First, neither author provides footnotes to reference the specific primary sources from which they gathered their data on stock ownership. This lack of referencing astonished me, as it would be unacceptable in American historiography. For more than a year, I have tried to find Neymarck and Moreau-Néret's primary sources, to no avail. So, I cannot attest to the validity of their data.

Second, a closer look at Neymarck and Moreau-Néret's data shows that, while a large percentage of rail stock was owned in small blocks of one to ten shares, presumably by citizens of modest means, between 5 and 10 percent of rail stock was held in blocks of twenty-five to forty or more shares (see Tables 3 and 4), likely owned by wealthy citizens and/or large institutional investors.⁶

TABLE 3
Number of Shares Owned by Railway Stockholders: Neymarck's 1909 Data
Eastern Railway

Number of Owners	Percent of Owners	Number of Shares Owned
12,620	67.0	1-10
4,073	21.6	11-39
1,825	9.7	40-99
311	1.7	100+
Total: 18,829	100.0	

Source: Neymarck, "Les chemineaux de l'épargne," 122-66.

TABLE 4
Number of Shares Owned by Railway Stockholders: Neymarck's 1909 Data
Northern Railway

Number of Owners	Percent of Owners	Number of Shares Owned
25,651	78.8	1-10
3,783	11.6	11-24
2,117	6.5	25-50
1,002	3.1	51+
Total: 32,551	100.0	

Source: Neymarck, "Les chemineaux de l'épargne," 122-66.

⁵ Cohen, "Divergent Paths, United States and France."

⁶ Neymarck, "Les chemineaux de l'épargne," 143.

The by-laws of French railways denied stockholders with small ownership stakes participation in the deliberations of the *Assemblée Générale*, the stockholders' annual or semi-annual meeting convened to elect the board of directors and to review and legislate company policy.⁷ Only stockholders with larger holdings could vote. In this regard, Neymarck's putative financial democracy was not really so democratic. The large shareholders controlled the private railways.⁸

Third, in reading archival documents that record discussions among French railway owners prior to nationalization, I was particularly struck by comments by Edouard de Rothschild, president of both the Northern Railway Company and of the national organization of private railways.⁹ Rothschild, a private investment banker, stated that protecting shareholders was his most important goal when he was negotiating with the government over the fate of private railways. He expresses "grave concern" that government policies are threatening stockholders. "I do not wish to dishonor myself vis à vis my stockholders. . . ."¹⁰ Why, I wondered, would Rothschild, a banker of great wealth, care about the millions of small investors in Neymarck's financial democracy? Perhaps, I hypothesized, Rothschild's statements were mainly an expression of his wish to protect his own stock holdings, those of his peers who sat on the boards of directors of French railways, and the 5-10 percent of stockholders who owned larger blocks of shares and voted for the board of directors at the *Assemblée Générale*.

Therefore, my concerns about the financial democracy argument led me to look closely at the rail stock holdings of French banks. I knew, from having worked in French bank archives in the recent past, that few data were available on the composition of French bank assets during the 1930s.¹¹ I went back to the first issuances of private railway stock in the nineteenth century. Groundbreaking research by Jacques Grunewald shows that French banks subscribed to 50.3 percent of the total cost of railway shares issued between 1835 and 1853, and that the Rothschild Bank's share of these subscriptions was 16.5 percent (see Table 5).¹²

⁷ The exact number of shares required to vote in a General Assembly varied according to the by-laws of each railway. See Georges Ribeill, *La révolution ferroviaire: La formation des compagnies de chemins de fer en France (1823-1870)* (Paris, 1993).

⁸ *Ibid.*, 156.

⁹ The national organization was called the *Réunion des Présidents des Chemins de Fer*.

¹⁰ Edouard de Rothschild, in unlabelled document from F14/12508, folder 2, Archives Nationales (Paris).

¹¹ Cohen, "Divergent Paths, United States and France."

¹² Jacques Grunewald, "Études sur le Financement des Chemins de Fer sous la Monarchie de Juillet" (Diplôme d'études supérieures, Sorbonne, 1949). Note that 50.3 is the percentage of the total value of shares that banks bought, not the percentage of shares issued. Also, some of their purchases were sold to clients, not held in bank portfolios.

TABLE 5
 Rail Stock Purchased by Private Investment Banks, 1852-1853
 (in millions of French francs)

Company	Capital Issued	Rothschild Bank	Crédit Mobilier	15 Other Banks
Paris-Lyon	120	14.9	1.2	56.3
Midi	67	3.5	6.0	7.5
Gr. Central	90	—	12.8	11.3
Other RRs	226	21.0	7.0	18.1
Total	503	39.4	27.0	93.2
Percent	100	7.8	5.4	18.5

Source: adapted from Grunewald tables, found in Georges Ribeill, *La révolution ferroviaire: La formation des compagnies de chemins de fer en France (1823-1870)* (Paris, 1993), 120-21.

Grunewald's data clearly show that private investment banks held significant stakes in the original stock share capitalization of French railways. Although relatively little data exist for subsequent years, given the powerful role of banks and insurance companies on rail boards of directors right up until nationalization in 1937, I assume they continued to hold significant rail assets in their portfolios throughout the late nineteenth and early twentieth century.¹³ Certainly, at a fundamental level, the holdings by major financial institutions did not receive sufficient emphasis in Neymarck and Moreau-Néret's work.

In sum, I am rethinking Neymarck's financial democracy argument. By 1862, French railways had issued the total amount of stock for the life of their concessions: 3.059 million shares with a par value of 1.477 billion francs. All additional capital was raised through loans.¹⁴ By the terms of legal agreements with the state, the physical assets of the railways—rolling stock, stations, and infrastructure—would revert to the state at the end of the ninety-nine-year concessions. Therefore, their shares of stock were the only legal claim that stockholders could make on the value of railway assets.¹⁵ That, I infer, was a fundamental reason why both the small investor-savers who Neymarck deemed so important, as well as the large

¹³ Jean Bouvier presents data for 1880 for one of the major French deposit banks, Crédit Lyonnais, showing that 2.3% of this bank's total stock, bond, and *rentes* (income-producing securities) assets was in French railway stock, with an additional 5.6% in foreign railway stock. This indicates that banks other than private investment banks also had significant holdings of railway securities. Jean Bouvier, *Le Crédit Lyonnais de 1863-1882* (Paris, 1961), 798.

¹⁴ Kimon Doukas, *French Railroads and the State* (New York, 1945), 30. See also: François Caron, *Histoire des chemins de fer en France: 1883-1937* (Paris, 2005).

¹⁵ Doukas, *French Railroads and the State*, 239-40.

institutional investors, such as Rothschild, were so intent on defending the value of their stock. Thus, while I do not retract the conclusion I reached in my *Enterprise & Society* article that the French government was wary of offending the small investor-saver, the French government also faced a united front of major institutional investors, who were intent on protecting their claims on rail assets. Thus, the stock ownership and claims on rail assets of institutional investors will receive more emphasis in my future interpretations.

All of my arguments and conclusions derive from Neymarck and Moreau-Néret's data. Yet, as noted earlier, because these authors do not reference their sources, I have been unable to check the validity of their data or re-analyze the original data. Why do Neymarck and Moreau-Néret fail to provide citations for their sources? Was this unprofessional behavior? Were French academics in the late nineteenth and early twentieth centuries somehow less rigorous than American academics?

I found a clue to solving this mystery while reading documents from the French archives on the debates that preceded nationalization. These documents were issued by various ministries, the major political parties in the French legislature (socialist and non-socialist alike), and the private railways. Although representatives of these groups disagreed considerably on what to do about the railway financial crisis, they all worked from the same set of financial figures—for example, statistics concerning the expenditures, revenues, and debt of French railways. The relevant data came mainly from the government, though information was often provided by the private railways at the request of a minister or legislator. I was surprised that all the interest groups accepted the validity of the government and railway data. In the United States, I am used to organizations manipulating data to serve their self-interest. Not so, apparently, for the French, at least when they were debating railway nationalization.

This observation reminded me that both Neymarck and Moreau-Néret make occasional comments in their articles and books about government fiscal and administrative resources. Perhaps they, too, relied on data from a government or railway source that their French readers would accept as valid. I began looking for government sources for data on railway stock ownership and quickly located *La Statistique Générale de la France* (SGF), the French National Bureau of Statistics, which releases monthly and annual data reports.¹⁶ None of the SGF reports I have examined so far contains Neymarck's data, but SGF has an archive that I will work with to try to locate the primary source data.

Thus, my hypothesis about the mystery of the missing references is as follows: Neymarck and Moreau-Néret's data came from a government source; originally, private railways may have provided these data to the government. Neymarck and Moreau-Néret did not provide footnotes or

¹⁶ Pascal-Gaston Marietti, *La Statistique Générale en France* (Paris, 1949).

references because in France the accepted practice was for all data of this sort to come from the government.

In conclusion, dealing with the mystery of the missing references gives an indication how cross-national research can be both fascinating and challenging. One must develop an understanding of the norms and practices of the place and times one is studying. Although I have not yet located Neymarck and Moreau-Néret's data, I hope that I am on a trail that will lead me to them. I welcome any additional suggestions from readers.