

Jay Gould: A Revisionist Interpretation

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Some years ago I wrote an article for the *Business History Review* that bore the title "In Search of Jay Gould."^[6] Since then I think I have found him and discovered in the process that he was far more lost than anyone suspected. In my recent biography of Gould I have tried to show in detail that much of what has been said about his life and career is inaccurate and misleading--not merely open to debate over interpretation but simply wrong. The generalizations made, assumptions held, anecdotes cited, charges levied, and information presented about Gould are so riddled with error that the serious biographer hardly knows where to begin the task of correction.

Long before his death in 1892, Gould passed into the realm of myth, a legendary figure created in large part by the New York newspapers that so despised him. From their pages emerged the image of Gould as the supreme villain of his age, the most hated man in America. Most of what has been written about Gould since that time has been drawn from these same papers, sometimes knowingly and sometimes not. The Adams brothers also helped forge the Gould legend, and no one did more to perpetuate it than Matthew Josephson, who seemed to have an infinite gift for error, large and small. If there was a historian in the Josephson household, her name was Hannah.

Only one scholar, Julius Grodinsky, has even attempted a serious study of Gould's business career, and his book was promptly labeled an apologia by many critics [4]. Historians no less than the general public have been reluctant to let go of Gould's image as arch villain, let alone concede Grodinsky's argument that, like him or not, Gould was a business genius who exerted a profound influence on railroad development in the nineteenth century. No business historian took this notion seriously until Alfred D. Chandler, Jr., embraced it in his magisterial study, *The Visible Hand* [1].

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Unfortunately, Grodinsky lacked the primary source materials that could reveal in detail Gould's business objectives and methods of obtaining them. As a result his study contains its own share of errors that have long needed correction. Ironically, Grodinsky's lack of inside information led him unwittingly to perpetuate some myths about Gould even as he attempted to dispel others. Over the past decade it has been my good fortune to discover a substantial amount of Gould's business correspondence and that of others with whom he dealt. From these materials I have been able to examine Gould in a fresh light and have found quite another figure than the venal predator depicted in myth.

It is impossible here to do more than highlight some of my findings that revise the prevailing myths about Gould's role as a businessman. Indeed, if I were to cite examples of the myth alone, it would occupy not merely the rest of this session but the rest of the conference. Consider this a sampler of sorts, a preview of what the evidence suggests that Gould really was and really did as a businessman.

A starter kit of the myths that surround Gould and his business career would include the following:

1. Gould was a friendless, cold-blooded loner who betrayed associates, fleeced investors, and was trusted by no one.
2. Gould was not a businessman but a speculator, the sort of predator who regarded the properties he controlled as nothing more than financial carcasses on which to feast, and who unloaded them as soon as they were picked clean.
3. Being a speculator interested only in the finances of the properties under his influence, Gould knew little and cared less about their actual management and operation.
4. In his rail operations Gould thought chiefly in terms of grand strategies and paid little or no attention to developing the resources of the roads he controlled or the regions through which they ran.
5. Similarly, Gould concentrated on forging new through routes and ignored the need to cultivate local business.

The first myth betrays an obvious contradiction that has gone unnoticed. If Gould was a cold, friendless loner shunned by many and unloved by all, why did so many business allies remain with him for so long? Even a cursory glance at his career shows a long list of business figures large and small who

remained his associates for years, even decades. A closer inspection reveals that, far from being treacherous, Gould was fiercely loyal to his friends. He needed their help and repaid them not only with profits but in the coin of steadfast friendship. When they were down, he lent them moral support as well as money. On one occasion he staunchly defended his good friend A. L. Hopkins, who was mired in an ugly divorce suit, even though the squabble thrust Gould into a nasty public dispute. The weight of evidence confirms the view of a contemporary editor who observed that "though Mr. Gould was widely accused of failing to keep the faith, there were many among his harshest critics who were ready to admit that he seldom, if ever, turned upon an associate without having had previous reason to believe that the associate was turning upon him." [5, p. 197]

Ironically, Gould's fatal flaw as a manager appears to have been excessive loyalty. Too often he hesitated to dismiss or even demote an officer who had failed to perform. On personnel matters his bark was worse than his bite and was seldom very loud at that. For all his hammering on the themes of economy and efficiency, Gould could rarely bring himself to fire an officer who had been with him for any length of time. He kept Silas H. H. Clark far too long as his chief operating officer because he had known and trusted Clark since their early days on the Union Pacific. "I appreciate your friendship very highly," he once told Clark, "because I know it is the real stuff." [5, p. 264]. As part of that appreciation, Gould made Clark a rich man by handling his investments and giving him market tips.

Several of the other myths are encapsuled in a single quotation from Robert E. Riegel:

His control was always exercised from the East, and it is probable that he never saw some of his properties, owing to his infrequent western trips. The whole interest of Gould lay in the manipulation of securities of his various companies. The development of roads was an entirely minor concern. In all cases the property was used to aid his financial transactions. This process meant the gradual deterioration of the Gould lines until they became a synonym for bad management and poor equipment [9, p. 161].

This statement is as typical as it is wrong in every detail except the first one. Gould did exercise control from the East, but he travelled west once or twice a year on lengthy inspection trips, and no property escaped his alert eye. At no time in his career did the manipulation of securities occupy his entire interest, and for a quarter of a century his major concern was the development of railroads and the telegraph. During that time his financial transactions were a vehicle to aid his business operations because the market was of necessity his chief source of capital.

No one has actually demonstrated that the operation or equipment of Gould's primary roads was significantly inferior to that of other western lines, although tall tales abound on the subject. V. V. Masterson, for example, in his colorful but error-filled history of the Katy Railroad, entitled his chapter on the Gould years "The Rape of the Katy." [8, pp. 222-25] His account of the violation, however, is more suggestive than accurate, a titillation of hearsay that never manages to catch Gould in *flagrante delicto*. Even Grodinsky, for all his good intentions, perpetrated his share of wrong generalizations. In one instance he declared that Gould "thought again of establishing new through routes. His mind turned to grand competitive schemes, ignoring again, as he had so many times before, the cost elements and the relative importance of through traffic vs. local." [4, p. 536]

In his fine but flawed study, Grodinsky emphasized Gould's major contribution as a strategist while neglecting entirely his role as a manager. This omission, reinforced by statements like the one cited above, did as much in its way to perpetuate the mythical Gould as did the hack biographers. Grodinsky corrected the more blatant distortions of Gould as pure predator but lent credence to the image of him as a brilliant, ruthless manipulator who cared only about the game of putting empires together and nothing at all about their operations or inner workings. Yet at the time of his death in 1892, Gould left behind a business empire centered around three prosperous, stable, and well-managed properties: the Missouri Pacific, Western Union, and Manhattan Elevated. How this legacy could have been bequeathed by a man ignorant of or uninterested in the details of management is a mystery Grodinsky never bothered to address.

In fact Gould devoted as much time, energy, and thought to such matters as he did to market operations or grand designs of empire. His business career can be divided into three broad periods. The first (1860-1874) includes his formative years on Wall Street and the two episodes that were to become the cornerstone of the Gould legend, the Erie War and the Gold Corner. The second (1874-1879) embraces his control of the Union Pacific Railroad, during which he pursued policies of management and development only hinted at during his Erie experience. The last period (1879-1892) witnessed an explosion of business activity that culminated in Gould's fashioning of a business empire centered around the three properties mentioned above.

In all three cases Gould left the companies much stronger than he had found them; in two of them he created large, stable properties where none had existed before. Unlike many businessmen, Gould remained all his life an active investor willing to put his money into new enterprises. He could have retired at an early age and lived off the proceeds of government bonds or other safe investments, but a life of leisure did not suit his larger ambitions.

General Grenville M. Dodge, who knew Gould well and understood this aspect of his nature, offered this perceptive assessment:

There is no man . . . who risked so much credit and so many millions, and got so little return as Jay Gould, in trying to develop the country from the Mississippi River to the Pacific Coast . . . When we measure Mr. Gould . . . he will stand in history as having risked and planted his millions in developing a new country, while others merely risked and planted their millions in a country already developed . . . where there was no risk as to returns. [2, p. 921]

Gould influenced railroad development in two ways: as a builder and organizer of systems and as a promoter of local resources and industry along the lines he controlled. No one did more to reshape the American railroad map between 1875 and 1890, both in the amount of track his companies laid and in the mileage constructed by other companies responding to his lightning moves. As the driving force behind first the Union Pacific and then the Missouri Pacific, Gould became the catalyst for the expansion wars of the 1880s, that most prolific decade of railroad construction in the nation's history. The recent merger of these two systems was a fitting if long delayed family reunion of Gould roads. Both were monuments to his achievements as strategist and as developer.

On the rare occasion when one still hears Gould's name associated with the Union Pacific, it is invariably to condemn his merging of the road with the Kansas Pacific in 1880 as a classic example of his genius for bleeding railroads dry by unloading worthless properties on them at bloated prices. This same charge was levied at every branch he added to the Union Pacific. Time does not permit the correction of this legend here except to note one salient point that seems to have escaped every critic: virtually all of these "worthless" lines remain crucial parts of the Union Pacific system today. Most of them were separated from the Union Pacific during its receivership ordeal of 1893-1897 and could simply have been let go. But E. H. Harriman was shrewd enough to recognize their value when he revitalized the system and was quick to reacquire them. In so doing he confirmed judgments rendered by Gould two decades earlier. [7, chap. 20]

Prior to Gould's appearance the Union Pacific was a moribund property tainted by scandal, riddled with inefficiency, and cursed with a weak, inept management that excelled only at internecine warfare. The company had gone through three presidents in four years and in 1873 hovered yet again at the edge of bankruptcy. Gould salvaged it from near ruin, straightened out its tangled finances, and two years later paid the company's first dividend. Although opinion differed over whether the dividend had been earned, even critics agreed that the road's finances had undergone a remarkable transformation. Through hard work and close cooperation with key figures like Sid-

ney Dillon and Oliver Ames, Gould turned the company's destiny around. [7, chap. 13]

Besides putting its financial house in order, Gould brought harmony to the Union Pacific's strife-torn management, waged its competitive struggles, captained its political battles, overhauled its administration, formulated its rate policies, constructed its branches, and promoted the development of resources along its lines. He did these things in the same way he conducted all his business, by immersing himself in every aspect of the road's operation until his knowledge of its affairs was encyclopedic in breadth and detail. There was no short-cut to this achievement; it was the product of dedication, hard work, and intense concentration.

Gould's style of management was unique. On the Union Pacific he held no position other than director and member of the executive committee. Sidney Dillon became president and Silas Clark was made general manager. Although not a figurehead, Dillon made no major decisions without consulting Gould. In the field Clark received his orders officially from Dillon and unofficially from Gould. This triangular relationship could have been a disaster, yet it produced the most unified management the Union Pacific had ever known. Gould made it work because the three men were close friends and Gould was the soul of diplomacy in his dealings with associates.

In an age of outsized egos and galloping pomposity, where titans were wont to display the keys to their kingdoms as ostentatiously as possible, Gould was content to dwell in shadows and let others take credit. For a man consumed by ambition, he was strikingly free of ego or vanity. To reporters he was fond of describing himself as a mere passenger in his financial transactions. This attitude carried over into meetings, where he never dominated discussion but let it drone on before expressing succinctly the precise point others had been groping for. He did not command or dictate but suggested politely. Norvin Green, the president of Western Union, described Gould's style this way:

Mr. Gould . . . was a man of decided views and strong will, yet he never strongly expressed them . . . He would sit quietly rubbing his hands while the members of the boards would express their views as to what ought to be done. He would listen to all that was said, and after every one was through would say: "How would it do to pass such and such resolutions?" naming them over as the case might be. His suggestions would just hit the point, and the members . . . would all declare that he had suggested just the right thing to do. [5, p. 375]

Chauncey M. Depew, a close friend of Gould, offered this insight into his negotiating style:

Mr. Gould mastered not only the general conditions, but every detail . . . If the matter . . . was one which could be adjusted, and both sides were willing, it was a pleasure to transact the business. He was so clear and direct, so intelligent upon the matter in hand that no time was wasted in useless discussion on irrelevant facts, but the point was arrived at once and the possible concessions on either side were considered and made. If the subject, however, was one which he did not care to bring to a head and his interests were adverse to the adjustment . . . he could be as vague, as indefinite and unsatisfactory as any man that ever lived. [5, p. 339]

In strengthening the Union Pacific, Gould did more than provide the West with a vastly improved transportation company. To generate business for the road, he pushed the development of resources and new industry along its line. It is this side of Gould that is virtually unknown, yet no other work absorbed more of his attention. "Our policy," he told freight agent E. P. Vining, "must be to build up and develop a local business which cannot be diverted or taken away." [3] The way to do that, he emphasized to Oliver Ames, was to "develop our local resources to their fullest extent--soda-coal-oil-cattle." [7, chap. 16]

Two assets caught Gould's eye at once: land and coal. Both were in a state of disarray when he entered the management. Contrary to myth, the land grant was of little help in constructing the road except as security for some land grant bonds. Bitter disputes with the government clouded the issue of titles, and internal bickering hampered efforts to peddle land. To make matters worse, Gould's arrival coincided with a period of drought and grasshopper invasions that prompted a revival of the old "Great American Desert" myth. Dodge, who knew the plains well, argued that "unless the elements change they cannot west of Grand Island get more than one crop out of five. It is too dry." He favored putting herds on the land because "the man who raises stock, ships three times as much over the road as the man who raises grain." [5, p. 156]

Gould's first western tour convinced him that Dodge's argument was sound. He first tried to encourage stock growers by not selling land west of North Platte to settlers. When, to his surprise, stockmen urged him to reconsider, he suggested dividing the land into ranches to "sell the bad with the good & thus locate the cattle more permanently along our road." His object was to secure the long haul by installing cattle at the western end of the line and stockyards in Omaha. "We cannot pay too much attention to stock development on the west end of the road," he told Clark. "It is the only business the country is adapted to & it requires some encouragement & inducements to get it started." [5, p. 156]

Gould was prepared to offer both. In June 1877 he paused on a western tour to visit W. A. Carter, who had earlier unfolded to Gould his vision of a cattle shipping complex near Fort Bridger. Aware that this plan would give

the Union Pacific a long haul to Omaha, Gould promptly reduced rates on all stock shipments and gave Carter special rates. He also agreed to build extensive yards adjacent to the road and promised Carter assistance in erecting his own facilities. Carter promptly expanded his yards and put up a hotel for buyers. Gould reminded Clark that "we ought to have plenty of buyers on hand to buy & ship. We ought not to let any cattle be driven farther east for shipment. The more of a center we can make Judge Carter's yards the more buyers will be attracted to it & the more cattle will be brought in for sale." By November Carter had already shipped 250 carloads and had more cattle than the Union Pacific could find cars to carry. [5, p. 156]

The same policy was followed in Nebraska, where the Union Pacific built cattle pens at Schuyler, Kearney, and elsewhere to capture northbound drives. Special rates and other concessions were given local investors in Omaha who built up stockyards. Gould understood the value of flexible rates as a tool for development. He recognized that the road had to charge not only what the traffic would bear but also what it would bring and prodded Vining constantly with suggestions for cultivating new business. One episode is worth noting as an example of Gould's ability to put disparate details together. In scanning the mountain of data that crossed his desk, he noticed a potential market for low-grade Utah copper ore. He figured that ore

carrying 20 per cent and under of copper . . . can be moved to Baltimore at slight concession--cost of lugging it is \$6 per ton--if we ship it in bulk the saving of \$6 it is thought will move it. This ore is worth in Baltimore \$2.80 for each 1% per ton. Ore carrying 15% will therefore be worth in Baltimore \$42 per ton or \$420 per car load. Copper ores as low as 8% are brought to Baltimore . . . [7, chap. 16]

Nor did Gould neglect farmers. "I wish every foot of our lands east of Kearney was sold & in possession of an actual settler," he wrote Clark. "It would soon give that division a large local business." When the land department did not improve its sorry record, Gould moved to revitalize it. "This [department]," he declared, "needs a thorough overhauling or a *clean wipe out*." In 1878 a new head was named and land sales improved [5, p. 155].

Coal loomed even larger in Gould's thinking. After his first inspection tour in 1874 he sounded a theme he would hammer incessantly: "I would like to see the coal business developed to its fullest extent." The history of the seven mines owned by the Union Pacific was even more confused and bungled than its other operations. In 1868 the mines had been leased to two men under an absurd contract that required the Union Pacific to pay exorbitant rates for its coal and assume all risks for a business it owned but could not control. For five years the board had lunched about in search of a way to annul the contract and reclaim its mines. Gould accomplished that task one day after becoming a director by simply abrogating the contract and seizing the

mines. After a legal battle lasting six years the court upheld Gould's action. Meanwhile, Union Pacific operated its mines [5, p. 151].

Once in control, Gould vowed to "get the mining and selling of the coal upon the most economical & efficient basis." He faced a rugged task. The company was new at the mining business. It had no organization or system for monitoring production, marketing, or setting prices. Production was low, costs high, and labor scarce. All seven mines seethed with labor unrest, which prompted Gould to observe that "Our coal business will never work satisfactorily until we master the labor question." He accomplished that by introducing Chinese into some of the mines even though it provoked strikes from white miners. Despite a severe dent in earnings that came at the worst time for Gould's financial bulling of Union Pacific, he fought the strikes until the union was broken and the Chinese were installed at a wage of \$32.50 a month compared to \$52 for white men [5, pp. 151-52].

Gould's objectives were as bold as they were simple: he wanted to mine coal at a cost of a dollar a ton (about half its existing cost) in large enough quantities to provide the railroad fuel and dominate the commercial market from Council Bluffs to Ogden. If rival firms could be driven out, the Union Pacific could charge higher prices, fill empty cars running in both directions, and use the profits to "give the company its own fuel free." The trick was to forge an organization that could run the mines efficiently at full capacity and snatch business from competitors through aggressive marketing. In pursuing these goals Gould deluged Clark with suggestions on every aspect of the business--marketing and pricing tactics, how best to utilize machinery, where to locate storage sheds, how to insure quality ("in competition," he stressed, "this is necessary to retain and satisfy our customers"), how to speed deliveries and avoid false weighings [5, pp. 152-53].

One of Gould's favorite conceits was referring to the coal business as "a sort of hobby of mine," but he took his hobbies seriously. "I will hardly be satisfied," he told Clark, "until we get the cost of mining reduced to \$1.00 per ton & mine & ship about 1,000,000 tons per year." Although he fell short of these goals, and commercial sales never fulfilled his expectations, Gould transformed the coal department into a profitable and growing operation. Between 1875 and 1880 production more than doubled and the cost per ton dropped 65 cents. The foundation for future expansion had been laid [5, p. 154].

The possibility of producing coke from company coal also intrigued Gould. Convinced that the availability of coke would revolutionize the silver industry in Utah, he hired specialists to experiment with different processes and sustained their research for years [5, p. 153]. Here as elsewhere Gould did his homework. He picked the brains of chemists, geologists, engineers, anyone

with expert information on a subject useful to one of his projects. At the same time he relished knowledge for its own sake and was a keen observer of everything around him. One might call him a closet scholar.

What Gould did with coal he tried also to do with other minerals. On that same maiden inspection trip in 1874 he also learned of some lakes near Laramie rich in soda deposits. After examining them he took steps to encourage the building of a refinery to exploit the deposits and sent the company engineer to Europe to procure information, the best machinery, and skilled workmen. The discovery of oil in the shale deposits along Green River spurred him to hire chemists and engineers to sample the oil and find ways of extracting it profitably. Nothing came of these ventures during Gould's reign, but his alert eye never ceased looking for new possibilities [7, chap. 16; 5, p. 154].

Smelting promised a long haul if ore could be carried from western mines to works at the eastern end. To encourage this business Gould aided the owners of the Omaha and Grant Smelting Company with loans and rebates. Here as elsewhere he preferred letting local interests develop industry, but when local investors floundered Gould stood ready to take charge himself rather than have the railroad lose any business. In Laramie the Union Pacific erected a rolling mill that became the town's largest employer at a time when the state's economy was stagnant [5, pp. 154-55].

Gould surrendered control of the Union Pacific in 1879-1880 because he wearied of the endless struggle with the government over several issues, most notably the prolonged fight over terms for paying off the government loans used to help construct the road. He wanted fervently to create and manage a system of his own without interference from Congress or anyone else. During the 1880s this passion drove Gould to forge a rail system that embraced the Missouri Pacific, St. Louis, Iron Mountain & Southern, Texas & Pacific, Wabash, Katy, International & Great Northern, and Cotton Belt. Some lines were purchased and others built; all were enlarged by new construction with a swiftness that stunned his adversaries. By 1887 he controlled 8,461 miles of track not including the Wabash or Cotton Belt [5, p. 346]. Three years later he regained control of the Union Pacific and Pacific Mail Steamship Company, giving him the largest rail empire in America under one man.

Conventional wisdom dictated that the parent road of a system must be a trunk line, but Gould was not a conventional thinker. He elevated the Missouri Pacific from a local road between St. Louis and Kansas City into the heart of his rail empire. Even the dullest observer saw that Gould was opening new territory and new routes in several directions. However, few realized he was also repeating on a grander scale the program of development he had undertaken with the Union Pacific.

Coal still loomed large in Gould's thinking. It was a high volume, heavy tonnage business immune to competition from other roads. As a cheap fuel in regions starved for wood it lowered operating costs. Again Gould sought to mine enough coal to supply the system's entire fuel needs and do a large commercial business as well. He acquired vast tracts of land wherever geologists found promising deposits and built branches to the fields. By 1887 he controlled mines in three states and Indian Territory. That year the Missouri Pacific hauled 56 per cent more coal than it had carried in 1884, and the proportion of commercial to company coal carried jumped from 39 to 52 per cent. The half dozen coal companies under Gould's control looked constantly to expand their holdings. They were instructed not to pay dividends but to use earnings for buying more land [5, p. 372].

A classic example of Gould's developmental policy may be seen in Arkansas, which in 1886 still imported most of its coal from other states. As part of a bold plan to open a new route between Kansas and the Southeast he bought some existing roads in Arkansas and extended them. Contrary to myth, it was not through traffic that excited his imagination but local resources, especially coal and lumber. He determined to "build up Little Rock as a commercial center and [develop] the State of Arkansas." [5, p. 373]

Gould seized on this route in large part because of some promising coal fields in Sebastian County, southeast of Fort Smith. After studying favorable reports from a coal expert he sent an agent to buy 15,000 acres and ordered Clark to build a branch "through the coal lands or such point as will hold the territory south east of Ft Smith in our interest." These moves brought Gould the Jenny Lind tract, a field embracing 4,831 acres with estimated reserves of fifty million tons of coal. His agents also scoured the Arkansas and Louisiana countryside in search of bargains on timberland. One purchase in 1886 gained him 100,000 acres at a price of five cents an acre [5, p. 373].

The new Arkansas Valley route opened in November 1889, giving Gould an unbroken line from Pueblo, Colorado, to the Mississippi River. Fort Smith attracted him because it was the logical terminus for a short line to the Gulf and it was fast becoming the heart of his favorite industry. "With proper rail facilities," he predicted, "we can develop an immense coal business at Ft. Smith." He found from tests that Fort Smith coal gave trains 46 per cent more mileage per ton than coal from other mines. "Two tons of Ft Smith," he enthused, "are equal to three tons of any of our other coals." Elsewhere the location of coal fields or other resources shaped the course of his construction program. He built a network of branches around Fort Scott, Kansas, chiefly to service the mining complex at Rich Hill, Missouri [5, p. 430].

St. Louis, the headquarters of the Missouri Pacific, owes its emergence as a rail entrepot second only to Chicago largely to Gould, who at one point

dominated all but one of the roads reaching it from the west. As owner of the bridge and terminal facilities, he took the lead in building the city's union station. To generate traffic he invested in barge companies and constructed a belt line to serve as an industrial park along which he induced a variety of firms to locate [5, pp. 373-74, 431-32].

Aware that the era of free-wheeling expansion was drawing to a close, Gould spent his last years trying to integrate his sprawling lines into an efficient, coherent system. One may ignore his typical demurrer that he served as president only on condition that no detail work be allotted to him because he lacked "the physique to stand it." Despite failing health he devoted long hours to finance, construction, procurement, traffic, and every other aspect of management. The calculating intellect he once pitted against the market now manipulated the intricacies of cost accounting with the same mastery of detail [5, p. 365].

Those who believe Gould ignored operating details need only examine his letterbooks to be undeceived. On one occasion he prodded Clark to "investigate the reason why the Kansas City & Ft Scott Rd should get 35 miles to a ton of coal while the Missouri Pac only gets 25 miles. Either our scales are wrong or the quality of the coal we [use] are not good." [5, p. 367] Train schedules challenged his imagination the way crossword puzzles intrigue some people. Convinced that mixed trains would save large sums on runs where traffic was light, he was fond of working out elaborate schedules complete with connections and offering them to Clark as suggestions. Any rise in costs caught his eye and brought prompt response:

On the Iron Mountain in May while the earnings increased only \$37,000 the expenses inc. 146,000. On the single item of fuel for freight trains the increased cost appears to be 37,500 agt 20,500 in 1886 with an inc of only 24,000 train mileage--fuel costs 15¢ per mile--simply an impossibility. The MoP same month with a freight train mileage of 442,000 fuel cost \$31,194 or 7¢ per mile [5, p. 370].

With his operating people Gould was demanding but never imperious. He told them what was wanted, gave them the power to accomplish it, took care not to intrude upon their authority, always backed them up, and scrutinized their performance closely. He encouraged initiative at all levels and was more apt to remind a man to exercise his authority than to reprimand him for exceeding it. At the same time, his suggestions for improvements flowed in endless flocks of letters, dubbed "blue jays" by some wag. His notion of administrative structure was simple and direct. "I have always believed in simple organization," he observed. "I have found in my management of railroads that I got better results from a simple organization than [from] one too large & complicated." [5, p. 371]

During his last years three major goals occupied Gould's attention: (1) developing the resources of the Southwest as a permanent traffic base for the Missouri Pacific system; (2) rationalizing and integrating his rail system; and (3) finding a solution to the rate wars that were sucking the life out of all railroads by the late 1880s. The image of Gould as diplomat and peacemaker shocks some people as much as that of him as constructive manager, yet no one worked harder at the promotion of harmony. Here too Grodinsky fails to do justice to the positive contribution made by Gould.

Unbridled expansion bred wars that lowered rates precipitously, a boon for shippers but disaster for the roads. The effect on income accounts made it difficult for them to carry the added costs of expansion, let alone provide adequate funds for maintenance, equipment, and improvements. Dividends were curtailed, the value of rail securities shrank steadily, and new capital grew ever harder to secure. An epidemic of reorganization fights before 1893 betrayed the inability of older roads to compete without scaling down their bloated capital structures.

By 1888 the competitive arena was in shambles. The Interstate Commerce Act had outlawed pools without providing any substitute mechanism for keeping order. Deprived of their most familiar vehicle for adjusting differences just when competition had grown most intense, railroad managers let the pools and associations collapse. The Transcontinental Pool, which in five years had grown from two to thirteen members, was but one casualty of the wars of unparalleled ferocity that ensued [5, p. 434].

Intelligent railroad managers recognized the need for some power greater than themselves to curb the fighting, but few were willing to surrender any part of their domain to some outsider. To the surprise of many of his peers, Gould took the lead in the quest for stability and harmony. He was the driving force behind the celebrated meetings of railroad presidents in the home of J. P. Morgan in both 1888 and 1890. On both occasions he advocated far more sweeping proposals than the other presidents were willing to consider. Gould wanted a central association with the power to set through rates, manage all competitive business, operate joint agencies for procuring traffic, and determine routing over member roads. His most novel provision forbade any member road from building into the territory of another without the latter's consent [5, pp. 435-40, 458-61].

In peace as in war, Gould was a man ahead of his time. Unlike most men, he was not a prisoner of the past but possessed the ability to sense changed conditions and adjust his thinking accordingly. He did not achieve his loftier goals before his death, and he never succeeded in escaping the stigma of the legend that dubbed him the most hated man in America. His name remains a cliché for the worst excesses of a much misunderstood era when it ought to

be enshrined among the handful of giants who shaped the map of modern America.

The evolution of western railroads has gone through a number of stages that must await another article for full description. Here it is worth noting only that the Jay Gould of fact rather than of legend was the prime mover of his era just as E. H. Harriman would be of the next. To a surprising extent Gould anticipated the coming era and was moving toward it in a variety of ways. Had death not cut him short at an even younger age (56) than it did Harriman (61), the remarkable parallels between the two men and their careers might have become more evident. But that too is another article, perhaps another book.

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