

# MOSES TAYLOR—New York Merchant American Industrialist and Finance Capitalist

A Case Study in Success

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## Moses Taylor - New York Merchant

This afternoon's panel is concerned with what constitutes success in business undertakings. I hope to show that Moses Taylor, a New York merchant, banker and business leader during the mid-nineteenth century, was an outstanding business success and to indicate how this success was achieved. In order to judge his business achievements, it is appropriate to ask two sets of questions. One set has to do with his personal business activities, the other with the corporate enterprises with which he was involved. Concerning the first set of questions, what were his individual business and entrepreneurial accomplishments? Did his personal net worth and his reputation with his peers place him among the business leaders of this era? Concerning the second set of questions what was the standing in their respective industries of the companies in which he was interested? How did they weather the recurring financial crises of the nineteenth century? And most important of all, how important was Moses Taylor to these enterprises? Did his presence materially affect their continued prosperity and growth? If we can satisfactorily judge Taylor a success in terms of these questions, it will then be useful to probe the reasons for his success. Perhaps these comments on Moses Taylor's business attitudes and behavior will provide useful insights into the critical role played by merchants in the development of America's basic

industries, utilities, transportation system, communication networks and banking and capital markets.

Though almost unknown today, Taylor was a financial giant to his contemporaries. His relative obscurity may have resulted in part from the fact that of his five children only one son married and produced sons to carry on the family name. Nor did he name an industrial firm after himself as others did. A better reason might be Taylor's natural reticence towards publicity of any kind, a characteristic of most bankers and merchants. But possibly the most important reason for the slight notice taken of Moses Taylor by business and economic historians may be that he traditionally has been listed as a merchant rather than an industrialist both by his contemporaries, who might be expected to do so, and by later chroniclers of the business world who should have delved a little deeper into his activities.

John Moody and George Kibbe Turner may have rigidly established Taylor's position in the merchant context when in their 1911 series of articles in McClure's magazine on the "Masters of Capital in America" they devoted almost an entire monthly installment to the City Bank and Moses Taylor. They described Taylor, who had served as president of this institution from 1856 to 1882, as "the last and possibly greatest of the great New York Merchants."<sup>1</sup> This statement echoed the assessments of Taylor in long feature articles published in the Hunt's Merchants Magazine in 1864<sup>2</sup> and in the New York Sunday Herald in 1869.<sup>3</sup>

This merchant image veiled the active role Taylor played from the 1840's until his death in 1882 in the development of industrial America. A list of some of his important holdings and offices indicates the scope of Taylor's interests. Besides owning almost one third of the stock in the National City Bank, which he served as president, Taylor also owned 15 per cent of the shares of the Farmer's Loan and Trust Company and chaired its executive committee. This, the oldest trust company in the United States, was a leading trustee of railroad mortgages and pioneered the role played by banks today as financial and transfer agents for American corporations. As a railroad magnate, Taylor was the largest individual stockholder and a director in both the Delaware Lackawanna and Western and the Central Railroad and Banking Company of Georgia railroad systems. He was also a leading stock and bond holder of numerous other midwestern and southern railroads.

As an iron, coal and steel entrepreneur Taylor indirectly controlled much of the coal lands of Pennsylvania's Wyoming Valley through his large interest in the D.L. & W.. As the largest shareholder in the Lackawanna Iron and Coal Company, which owned additional coal lands, Taylor also led one of the nation's largest producers of iron and steel. Taylor also counted among his assets the largest individual block of shares of the Manhattan Gaslight Company, the country's leading utility; a continuing connection with Moses Taylor and Co., the merchant

house which had been the original foundation of his fortune; and sundry other items such as one half ownership of the New Jersey Zinc and Iron Company, America's leading producer of zinc and spiegeleisen. At his death in 1882 Taylor's estate was appraised at about \$33,000,000,<sup>4</sup> but since he appreciably undervalued most items and did not list his real estate and certain other assets, one might judge that when he died Taylor possessed a fortune of over \$50,000,000 and controlled the destinies of companies with total assets many times that figure.

This was not the stock portfolio of a merchant; rather it is a vivid revelation of Taylor's central role as a finance capitalist and entrepreneur. His contemporaries probably understood that the outlook, attitudes, talents and behavior patterns which he had developed as a young man and merchant accounted for much of his success in his later career as a business financier, when he retained only a negligible interest in commerce. Many of his associates had followed a similar route to industrial leadership. It is therefore understandable that they continued to refer to Taylor and to one another as merchants.

Taylor was born in New York City in 1806. This was before the advent of the steamboat or railroad, an age when the American iron industry was groping hesitantly forward. Coal was yet to become the nation's leading source of energy. The country's banking system was still in its infancy, and the telegraph, inter-continental cable and gas lighting were still unknown. Taylor

lived to leave his imprint on the development of all these industries and services which played so dramatic role in America's emergence as a great industrial power. From his youth, Moses Taylor aspired to a business career. It was said that at the age of 15 he told his father Jacob Taylor, a cabinet maker by trade, but in his mature years confidential agent for John Jacob Astor, that for many years he had been set upon becoming a shipping merchant.<sup>5</sup>

With such a calling in mind, Taylor was doubly fortunate to be placed as a junior unpaid clerk with the firm of S. S. and G. G. Howland in 1821, at a time when the effects of the Panic of 1819 had already been weathered. Taylor was thus able to learn his trade from excellent tutors, and was in a position to benefit from the almost twenty years of improved political and business conditions which ensued between the Panic of 1819 and the Panic of 1837. Taylor's diligence and ability evidently attracted his employers' attention, for he was given many responsibilities and also permitted to trade on his own account. Finally in 1832 he reportedly declined an opportunity extended by the Howland brothers to become a partner in the firm. Taylor opened his own merchant house that same year.

As a sedentary merchant he understood that to serve his clients and himself adequately he must supply a full range of services. In order to buy and sell the commodities in which he dealt, he had to maintain close contact with the market place.

To supply the funds necessary to lubricate the channels of trade Taylor adopted a lifelong policy of continual growth through savings and reinvestment in his firm. He also established close connections with the City Bank, which elected him a director during the panic year of 1837. Also keenly aware of the importance of insurance, good communications and reliable transportation, Taylor associated himself with others in enterprises which would satisfy his own or his clients' needs in these areas if he could not offer these services himself. Thus following the example set by the New York Packet lines, by 1836 he had established an early semi-regular small shipping line to Cuba,<sup>6</sup> which, though it operated at but a modest profit, he continued since it both gave him a measure of control over shipments and helped satisfy his clients' transportation demands.

Taylor's attitude towards insurance was indicated in letters written after the great New York fire on 1835 when he told clients that he had "taken considerable stock of the new companies with a view of making them settle our claims promptly." He emphasized that though he expected such stock purchases to result in personal loss, he undertook them in order "that my friends should have their claims settled as speedily as possible."<sup>7</sup>

No merchant could succeed unless he was able and prepared to supply a wide range of services, and in this sense Taylor conformed to the general configuration of the merchant image. However, there were certain differences between Taylor's

operations and those of his fellow merchants which may account for his greater ability to adapt and transfer his merchant skills to American industry. Chief among these was that unlike so many contemporary successful merchants Taylor did not depend upon familial relations. Throughout his life Taylor remained the great individualist who retained the remarkable ability to attract associates and lieutenants of outstanding talents which complemented his own. For example, Ronald Ely in his study of the Cuban sugar trade has ably pointed out the great advantages which accrued to Moses Taylor from his long association with Henry A. Coit.<sup>8</sup> Coit, a nephew of Howland, was Taylor's opposite in many ways. Taylor never visited Cuba, neither spoke nor read Spanish and his "brusque and forbidding manner"<sup>9</sup> sometimes offended the sensitive Latin temperament, making it difficult for him to establish truly close personal relationships with many of his Cuban clients. Conversely Coit traveled frequently to Cuba, perceived the nuances of Spanish and Creole culture, enjoyed the company of Cubans and was able to "spare Taylor the . . . strain of looking after the touchy Cubans."<sup>10</sup> In return for Coit's invaluable business and personal contacts Taylor offered Coit a rent free office in his counting house and continuing financial support. Coit and the numerous men who gathered about Taylor throughout his life were intensely loyal to him no doubt because of the great confidence which he in turn demonstrated in them. In Coit's case, Ely notes that in time

of crisis Taylor "stoutly defended his friend's interest against vindictive creditors."<sup>11</sup> Taylor was always the loyal and strong defender of his friends, associates and companies and usually took an attack on their good name or interests as an attack on himself.

Just as Henry Coit complemented Taylor's talent in the sugar trade so did Charles August Heckscher provide Moses Taylor with the expertise so essential to the fulfilment of Taylor's role in the development of the Pennsylvania coal fields. Heckscher was an early developer of the Schuylkill coal region and one of Taylor's closest personal friends. During the 1840's and early 1850's, Taylor financed much of Heckscher's activity in coal lands in the Schuylkill area. In this period Taylor limited his involvement to loans and bonds. Heckscher, his son and his nephew as well as David Palmer, later cashier of the National City Bank, provided the "on-the-spot" supervision of the numerous coal properties which Taylor eventually controlled in the Schuylkill region. These properties, originally known as the Forest Improvement Company, went through two name changes by 1868. In this year, Taylor, by then the principal owner of the Manhattan Coal Company as it was then known, sold it to the Philadelphia and Reading Railroad which had just received state permission to purchase and own coal lands.

Certainly Taylor's association with Heckscher much have prepared him for his entry into the industrial affairs of the

Wyoming Valley area when the opportunity to invest in this region arose. In late 1852, William and Seldon Scranton desired to purchase coal properties in the Wyoming Valley independent of the New York and Erie Railroad associates, which owned most of the stock of the Scranton and Platt Iron Company, which became the Lackawanna Iron and Coal Company in 1853. They invited Marshall O. Roberts, of the United States Mail Steamship Company, to finance their proposed endeavors. Roberts happened to be one of Taylor's close friends, and his steamship enterprises had been partly financed by Taylor. Robert agreed to enter into an agreement with the Scrantons on the condition that his friend Moses Taylor would be given a one-third share.<sup>12</sup> When the Scrantons accepted Roberts' proposal, Taylor advanced the funds. He also proceeded to purchase additional large parcels of coal property in the Scranton area in association with his friend Heckscher.

The properties in the Scranton area were managed by the Scranton brothers until Seldon Scranton's return to Oxford Furnace in 1858 and William Scranton's death in 1861. Joseph Hand Scranton, their cousin, whose entry into the iron company has been described by Professor Lewis,<sup>13</sup> assumed supervision of the firm after Seldon resigned the presidency and remained a trusted associate and confidant of Taylor's until Scranton's untimely death in 1871. Thereafter his son, Walter Scranton, assumed the role of resident manager in Scranton while Taylor

and Taylor's nephew, Edwin Hatfield Jr., retained full charge of the New York office as president and treasurer respectively. Taylor's interests in the Scranton Area were not limited to the Lackawanna Iron and Coal Company. He also had a growing interest in the D.L. & W. and other railroads. To oversee these investments, he encouraged Samuel Sloan to join him in his enterprises. Sloan, who had also been a merchant, had served as president of the Hudson River Railroad and later between 1862 and 1864 as a impartial mediator of the New York railroads after Vanderbilt had gained control of that line. Taylor, who had served with Sloan on the Union Defense Committee and also had sold him rails, was evidently impressed with Sloan's ability, for within two years, 1866 to 1868, Sloan was not only elected to the board and presidency of the D.L. & W., but was elevated to the board of the Manhattan Gaslight Company, the Farmer's Loan and Trust Company and National City Bank, as well, Sloan and Taylor lived close to one another and for many years were in the habit of riding together daily in the same carriage to their downtown offices. In their railroad dealings, Sloan became Taylor's alter ego, serving as chief executive officer of most of the lines which Taylor controlled, and alongside Taylor on the board of many other companies.

Just as Sloan served in New York as supervisor and advisor or Taylor's railroad interests, James Joy who had promoted Boston interest in midwestern railroads, gave on-the-spot supervision

to Taylor's railroads in the Midwest after the Civil War. The Farmer's Loan and Trust Company whose board Taylor had joined in 1841, had taken an interest in the affairs of the Michigan Central Railroad in 1846, at the same time as many Boston capitalists. Taylor had associations with J. E. Thayer and Co., an important Boston brokerage firm which played a central role in the transfer of Boston merchant capital from commerce into midwestern railroads. In 1848 Taylor had assumed the trusteeship of the Forest Improvement Company mortgage, of which he had taken 25 per cent and Thayer and other Boston capitalists the remainder. For many years Taylor served as a director of the Michigan Central and other lines which Joy and the Bostonians promoted. When John Murray Forbes and other of his Boston associates in 1875 broke with Joy over his policies on the Chicago, Burlington and Quincy, Taylor remained Joy's staunch ally and continued to support him, even going so far as to write Nathaniel Thayer that Forbes would regret the stand he had taken.<sup>14</sup> Elijah Smith, a Boston stock broker and railroad financier, wrote Joy after talking with Taylor of Joy's situation that he "was glad to find Mr. Taylor so friendly." Further, he wrote, Taylor "condemns the action . . . of the Boston gentleman . . . he is one of the few men who can lose his money and retain his confidence and not feel as though he had been robbed."<sup>15</sup> As in his relations with Sloan, Taylor also delegated to Joy, over the years, matters dealing with enterprises other than railroads.

Thus Taylor, a principal creditor and trustee of a mortgage of the Joliet Iron Company, assigned Joy, an attorney by profession, the responsibility of negotiating a foreclosure or settlement of this company's debts when it floundered in 1877.

If Joy represented Taylor's interests in the Midwest, then William Wadley served a similar role in the South. Wadley, president of the Central of Georgia Railroad, was a professional railroad manager, who supervised the rehabilitation of this railroad after the Civil War. He made initial contact with Taylor in 1865 when he came north to float a loan. The City Bank was appointed financial agent for the railroad. Taylor began buying stock in this road and became the first, and besides Commodore Garrison who served for a few years, the only northern director of the central of Georgia during the 1870's. In the case of this road as with so many other of his interests, Taylor eventually became not only the single largest stockholder, but an ever present source of financial support in times of need. When, in order to round out its system, this road purchased the Montgomery and Eufala railroad and the Port Royal railroad, Taylor personally advanced the necessary funds to buy them in a foreclosure.

In his early years Taylor included among his trusted employees and associates ship captains who held fractional shares in the vessels they commanded, and Lawrence Turnure, who took over the active management of the merchant house when Taylor turned

his attention elsewhere. In later years, Taylor was assisted in the City Bank by David Palmer who had proved his worth in the coal regions. In the trust company, Taylor served with R. G. Ralston and George Talman. After the Civil War, when his own son, Henry A. Coit Taylor, and his nephew, Edwin Hatfield Jr., reached maturity, both joined Taylor as part of the management team he assembled in New York. Other members included in this group were Benjamin Clarke, Stephen S. Palmer, David Palmer's son, and Moses Taylor's grandson, Moses Taylor Pyne. The one close associate still to be accounted for was Percy Rivington Pyne who served Taylor as a young man in his counting house and was taken into partnership by Taylor in 1849. Subsequently Pyne married Taylor's eldest daughter, Albertina. For almost his entire career as an independent businessman, Taylor was joined in his labors and endeavors by Pyne. In his merchant company, Pyne gradually assumed many of the responsibilities which Coit had performed for Taylor, and as Taylor widened the scope of his activities, Pyne stood shoulder to shoulder with him, and, working under Taylor's direction, helped in many areas to implement policies mutually decided upon.

In addition to exhibiting skill in selecting and making use of capable associates, Taylor exemplified many of the other attributes of an outstanding entrepreneur. Arthur Cole in his presidential address to the Economic History Association in 1846 summed up much of the thoughts on entrepreneurship. As the most

significant factor in entrepreneurial success he listed "the growth in skill of making wise decisions relative to innovation, management and the adjustment to external forces."<sup>16</sup> To these factors we must add Alfred Chandler's recognition that the entrepreneur is the "key man in any enterprise" who allocates the available resources to the managers who "coordinate, appraise and plan within the means allocated them."<sup>17</sup> In the opinion of Profession N.S.B. Gras the sedentary merchant was one of these key men - "a businessman who organized his business in such a way that he can devote himself to administration, such as policy-formulation and the control side of management."<sup>18</sup> The question raised by these views is, did merchants trained in management and administrative techniques transfer their hard learned lessons from the commercial to the industrial sector of the economy? I think that in the case of Moses Taylor the answer is yes.

In his role as a sedentary merchant, Taylor had chosen to deal in a staple commodity, sugar. When he turned inward to invest in American industrial development, he was similarly attracted to the most basic of all industries, coal and iron. As a merchant, he had understood the need and value of reliable, efficient and economical transportation to move his goods to market. To satisfy this need he had established and maintained a small shipping line of his own at small profit. He also had supported the early American steamship endeavors of C. K. Collins, Marshall O. Roberts and A. A. Low both financially and as a director in

these enterprises. Later, as a coal and iron entrepreneur and finance capitalist, he also recognized the importance of transportation and therefore invested heavily in the D.L. & W. railroad system which provided the outlet for the production of his coal and iron interests to national and international markets. As a merchant, he had recognized the importance of accurate information and speedy communication. It should therefore come as no surprise to learn that Taylor as an incipient industrial entrepreneur was with Cyrus Field one of the five founders of the Atlantic Cable and served this enterprise as treasurer during its early lean years. Subsequently he served as a director of the Western Union Telegraph Company for many years.

Perhaps the principles of management and administration which he developed as an individual sedentary merchant were among the most significant contribution of his merchant career to his later industrial career. Taylor's counting house, though small and rudimentary, was in certain respects quite similar to today's corporate headquarters. From his office, originally located on the South Street docks in New York City, Taylor as a young man learned how to conduct business with and through agents, employees and associates often far removed in both distance and, until the introduction of speedier communication, time as well. Since he did not conduct his business on the basis of family relationships as was so common among merchants, the

ability to choose able, honest, capable men as business associates was therefore critical. Once having chosen, he was left little choice but to delegate them the authority to fulfill their duties properly. As a merchant and businessman, Taylor put great stock in being "on the spot." Because he was in New York he felt that he was more competent than were Cuban planters and agents or even Boston or Baltimore merchants to make decisions based upon New York market factors; but conversely he was ever prepared to permit or even advise these same men to make independent decisions if they could better be made in location where they operated.

The independence of action which Taylor allowed his associates both as merchant, industrial entrepreneur and financier were, however, always circumscribed by certain unyielding policies and principles which Taylor established early in his career. He believed that in business "it is always best to write plainly" and assumed others "would appreciate" his doing so, for to write plainly "could prevent future misunderstanding" and avoid ambiguity.<sup>19</sup> Though Taylor's letters were often short and sometimes blunt and brusque, the recipients usually accepted Taylor's orders, advice, praise or reprimand in good spirit since they acknowledged Taylor's honesty, ability, integrity and good intentions. One of Taylor's greatest concerns was with the quality of the commodities which he handled. As a sugar merchant he insisted that only the best quality goods be bought for him.

He firmly believed that the "best are always the cheapest"<sup>20</sup> and was therefore convinced that those traders who "avoid all shipments of goods of inferior quality will . . . make money."<sup>21</sup>

Whether selling iron, sugar or coal, Moses Taylor insisted that the goods delivered meet the quality and time schedules which he represented to the purchaser. He helped develop and advocate the sales of sugar by the use of sample boxes and reminded Cuban planters and agents that both his reputation and good prices depended upon their sending true samples. In a similar vein Taylor reprimanded Joseph Scranton when a dispute arose with the Erie over rerolling of rails and delivery schedules. Taylor reminded Scranton that it had long been his policy "not to promise what we do not fulfill to the letter." Therefore "these matters of poor coal, bad iron, and non-fulfillment of contents we must do our best to avoid."<sup>22</sup> A decade later when the Lackawanna Iron Company contracted with Joy and Hinckley for railroad iron and then found itself unable to make delivery, Taylor bought rails on the open market to fulfill this commitment rather than disappoint his customer.<sup>23</sup>

Of all of Taylor's business principles perhaps none was more important than his belief and adherence to the old merchant policy of cash liquidity. As a sugar trader Taylor steadfastly refused to lend Cuban planters funds secured by their estates.

He explained that:

In doing a commission business I decree it essential

to keep my funds under my own control, so as to be ready at all times to make advances upon receipt of Invoice and bill of Lading and for Cash duties etc., etc.-By opening a different course you will at once perceive that I should soon get my capital locked up and the mere commission upon the cargoes would be no compensation for this outlay. In selling goods we have to take much paper from people of only fair standing and the loss by bad debts frequently takes a good share of our commission and guarantee.<sup>24</sup>

Nevertheless Taylor did make handsome advances and honor drafts drawn on him against goods consigned him once he received an insured bill of lading or invoice.

An adjunct to his concept of liquidity was his attitude toward speculation and speculators. One of his favorite expressions was "snug," and he advised his friends to follow his advice and practice and adopt this business posture. Taylor considered it "useless to run risks when there is hardly a chance of profits."<sup>25</sup> In his view much of the root cause of the speculation which brought on the Panic of 1837 was the result of the example set by the banks, the government and the private London-American bankers. Taylor was a hard money man and opposed suspension of specie in 1837 and thereafter, but once it was undertaken in 1837 he accepted it pragmatically and recognized that it had "a tendency to restore . . . confidence" to the business community.<sup>26</sup> Despite the chaotic economic conditions about him, Taylor predicted that those like himself who "have been present and kept within reasonable bounds" would "benefit from the crisis," since "once passed business will fall

into its legitimate course and being in fewer hands and free from ruinous competition to which the Extension of Credit and paper have given rise will be more profitable to those who withstood the present shock."<sup>27</sup> Taylor opposed suspension in 1861, as well. But when an attempt to corner the greenback market was attempted in 1871, Taylor, together with his friend John Austin Stevens of the Bank of Commerce, were the only two bankers who took decisive action to prevent the corner.<sup>28</sup>

Since for Moses Taylor as for Poor Richard the greatest vice was "running in debt,"<sup>29</sup> he reserved his greatest criticism for the speculative operations of banks. In this he condemned both American bankers and their London Colleagues who often stood behind them. He followed a general policy in "relation to England . . . opposed to having anything to do with them wither direct or indirect."<sup>30</sup> As for the banks, he felt strongly that the sooner they "let speculators and speculation alone the better for us all."<sup>31</sup> Though a Jacksonian and self styled Loco foco, Taylor opposed the proliferation of banks and circulation. The City Bank under his presidency gradually drew in the small circulation it had outstanding and always kept a very sizable stock of specie on hand. Taylor's natural adherence to such a time-hallowed merchant policy was undoubtedly reinforced by his sad experience as a purchaser of bank stocks in 1838. After the first shocks of the panic of 1837 had been weathered, Taylor, with excess funds on hand, invested heavily in Ohio,

Kentucky, Mississippi and New Orleans bank stocks since at their depressed prices he considered that they would yield better dividends than any other investment then available. Unfortunately this investment decision proved quite unwise. Taylor sustained a considerable loss and put much of the blame on the "roguery in the management" of these institutions.<sup>32</sup>

When in 1848 Taylor was elected a New York trustee of the Ohio Life and Trust Company he found that many of his fellow trustees were deeply in debt to the institution which they had been elected to serve. Taylor undertook as his first objective the reversal of this policy. He could "see no other way than to compell the trustees to pay up and then they can act independently and make money for the stockholders."<sup>33</sup> As a merchant he always revealed that appreciably more was due him than he owed others. As a banker during the 1870's, when the deposits in the National City Bank totaled about \$10,000,000, Taylor's personal deposits often ran as high as \$4,000,000 or 40 per cent of the total.

Such large cash balances permitted Taylor and his companies to ride out the downturns in the business cycles. Not a stock-jobber who speculated in the shares of his own or other companies, Taylor merely adjusted the value of his holdings on his own books annually in recognition of their depressed or appreciated value in the market place. Of greatest importance to the

companies which he headed was the financial support which he could provide them when they needed it. Thus when in the mid 1870's the Lackawanna Iron and Coal company needed \$1,200,000 to convert to the Bessemer process, Taylor was in a position to advance the entire sum himself. Again in the 1870's when the Boston capitalists who ran the Michigan Central and other midwestern roads found that they could no longer provide the cash necessary for effective operation of their roads, they turned to Taylor who personally or through his bank connections provided the necessary cash advances. Taylor also was in a position personally to finance much of the expansion program of the Central of Georgia and the D.L. & W..

Supple and Johnson discovered in their study, The Boston Capitalists and the Western Railroads,<sup>34</sup> that the Bostonians were system builders. Taylor, too, was a system builder and integrator. Though a more thorough and sophisticated integration and centralization of his interests was achieved after his death by Percy Pyne, Moses Taylor Pyne, Sam Sloan, Edwin Hatfield, Stephen Palmer and others of his close associates, Taylor went far in this direction. As had been alluded to before, Taylor created a pseudo-centralized conglomerate headquarters in New York City. The City Bank was housed at 52 Wall Street, and the upper story was occupied by the offices of Moses Taylor and Co.. Only a block away at 26 Exchange Place were located the offices of the Farmers Loan and Trust, the

Lackawanna Iron and Coal and The D.L. & W. and the other roads which Sloan as Taylor's representative headed. Though each of these enterprises was independent, the executive officers and boards were interlocked to a great extent. Taylor, Sloan and Pyne usually served all. Thus Sloan was President of the D.L. & W. and Pyne Vice President. Hatfield was President of the Lackawanna Iron and Coal, Tresurer of the Marquette, Houghton and Ontagon Railroad, and the Manhattan Coal Company. Taylor for himself was content with the presidency of the City Bank and lesser offices, but always retained a position on the executive committee and boards of these companies.

After his unfortunate investment experience with the Southern banks, Taylor, who prided himself that he learned his lesson well, confined his investments to firms in whose management he either had the utmost confidence or whose policies he could help set, and preferably both. As a banker Taylor naturally showed the greatest interest in the financial aspects of the company's operation. Noted for the "exact and orderly"<sup>35</sup> manner in which he kept his own accounts, Taylor demanded that the same high standards be maintained by all who worked for him. Taylor keenly examined all financial transactions and demanded that he be informed of all expenditures. He chastised Joseph Scranton for issuing drafts on him without prior advice. On another occasion he advised Scranton that though he did "not desire to be known as a small potato" he still insisted upon

knowing "what was going on, even in small matters."<sup>36</sup> As a matter of policy Taylor tried to hold the financial reins of all of his companies in New York City. When he took over control of the Marquette, Houghton and Ontagon and Michigan Central his first move was to have all financial records sent on to New York. Orders were immediately issued that no bills were to be paid unless and until they were countersigned by the New York officers. Cash to meet payrolls were sent on from New York just as they had been sent on to the various mining companies Taylor controlled.

Taylor and his lieutenants were, however, not concerned solely with financial policies. Sales policy was also to a great extent set in New York City. His correspondence with Joseph Scranton and with Joy reveals that Taylor was an outstanding salesman of iron rail. Certainly his experience as one of the leading commission agents and salesmen in the sugar trade had prepared Taylor to fill this role. The sale of rails was a complicated affair which required financial acumen and salesmanship. Railroad companies often paid for their rail purchases in bonds. The Lackawanna Iron Company was therefore faced with the decision of whose bonds to accept and at what value. Taylor as both the leading stockholder and as a banker and trust officer usually made this decision although soliciting the opinions of his associates. The iron company then either sold these bonds on the open market, on a preferred basis to their own stock-

holders or distributed them to these same stockholders in lieu of dividends. Since the cost of rails was one of the largest expenses entailed in construction of a new road, Taylor as the head of one of the largest rail producing firms of the 1860's and 1870's indirectly became one of the most important financiers of new railroad projects.

Taylor's large bond and stock holdings in certain railroads are thus attributable to the sale of rails rather than to the purchase of securities. But whether for bonds or cash, Taylor's role as the leading salesman for the Lackawanna extended from 1854 when he joined the firm until his death. Taylor actively helped set the coal sales policy of the D.L. & W., and of his Schuylkill interests until he sold them to the Reading. Agencies were established through New York State, parts of Canada, and in most major cities along the Northeast seaboard to distribute the coal produced by the Pennsylvania mines. The New York Offices also set freight rates for hauling various commodities. Iron and copper mine operators in upper Michigan yearly eagerly awaited the determination of freight rates set in New York which strongly and indirectly affected the price of their ores.

As a banker, bond holder and stock holder Taylor desired that all the firms he was involved in operate as harmoniously and profitably as possible. When conflicts or ruinous competition arose, Taylor from his New York headquarters tried to settle disputes. In 1878 when conflict arose between the Michigan

Central as well as in the other properties of that company," he appreciated the "importance of harmony and concert of action between the Michigan Central and the Fort Wayne and Jackson," of which he was also probably the largest bondholder. He called upon Joy to confer with the superintendents of both roads and "hit upon some plan that would restore harmony and adjust pending difficulties." Taylor informed Joy that he would write Loomis of the Fort Wayne and advise him of these views.<sup>37</sup> When in the winter of 1871-78 a rate war erupted between the Central of Georgia and the South Carolina Railroad, Sloan wrote in Taylor's name to President W. J. McGrath of the South Carolina Road that he should immediately "confer with King and Wadley" of the Georgia Railroad and Central of Georgia respectively, in order to resume profitable rates. Sloan reminded McGrath that "Mr. Taylor . . . has a large interest in the Central of Georgia as well as your road."<sup>38</sup> When McGrath failed to heed Taylor's instructions and reinstate a prior pooling arrangement, McGrath was shortly thereafter replaced as president; for as Sloan wrote, he no longer had the confidence of New York stock and bondholders. Taylor himself had told Sloan that nothing was to be gained if there were "no change in management."<sup>39</sup> Whenever the situation warranted such action, Taylor from his central location in New York City tried to protect his investment and that of fellow band and stockholders by using his position to impose compromise and mediation in order to insure

profitable operation.

Though Taylor wanted to coordinate all of his interests he also believed that an amount of competitive spirit among his various enterprises was healthy. Ely has described how he encouraged competition among his captains in the sugar trade. As an industrial entrepreneur Taylor followed a similar course. During his lifetime despite the existence of some integrated railway systems most railroads, even those associated with systems, were actually or nominally independent. Even some of the more prominent trunk lines were in reality more a series of roads controlled by means of long term leases or common ownership than a single integrated corporate entity. Thus though overall company policy of the roads which Taylor controlled was set and coordinated by Taylor, Sloan, Pyne, Hatfield and others in New York, the resident superintendents and other management personnel operated their respective roads as seemingly independent and competitive units. Correspondence to and from the presidents and superintendents of the Cayuga and Susquehanna, Michigan Central, Fort Wayne and Jackson, Sheboygan and Fond du Lac and the Rome Watertown and Ogdenberg Railroads and the New York offices amply illustrate this principle.

The railroads and other companies in which Taylor had large interests were organized as a loose confederation somewhat suggestive of General Motors' corporate division. Taylor expected the resident managers to follow a policy of profit maximization

for their individual firms. Though he and his chief lieutenants advised from New York, they were willing to delegate many decisions and their implementation to the men on the spot. Scranton was free to tell Sloan that unless the D.L. & W. lowered its freight rates he would be forced to use another carrier for the iron company.<sup>40</sup> He also felt free to disregard Sloan's advice on the purchase of iron ores. At the same time Sloan was not confined to purchase all of his rails from Lackawanna Iron. This was especially true during the five years prior to Lackawanna's conversion to steel rail production.<sup>41</sup> But if these business units could compete, they were also asked to complement one another. Thus after Taylor and Sloan took over control of the Rome and Watertown, the locomotives of this road were converted to anthracite. Similarly Sloan advised Joy that the Michigan Central should, all other factors being equal, purchase engines manufactured by the Dickson Manufacturing Company of Scranton since Taylor was a principal in the latter concern.<sup>42</sup> Taylor also felt free to coordinate the coal sales and use policy of the D.L. & W. and Lackawanna Iron and Steel Company in 1861 when he saw the advantage to be gained by sending all available coal to tidewater for sale.<sup>43</sup> When circumstances warranted Taylor called upon professionals employed by one of his companies to advise on problems facing another firm.<sup>44</sup>

Ample evidence exists that Taylor and Sloan anticipating the conversion of Lackawanna Iron and Coal Company from iron to

steel rail production and the concurrent narrowing of the D.L. & W. gauge to standard, planned to create another trunk line connecting New York harbor with Detroit, Chicago and the West. In 1874, Sloan wrote a confidential letter to Joy at Taylor's bequest. He informed Joy that they now controlled the Lake Ontario Shore Railroad through the Rome and Watertown Railroad. This road was to be connected with the Great Western in Canada via a new bridge to be built at Lewistown, New York. Connection would then be made with the Michigan Central for entry into Chicago and the western markets. This new system was envisioned as beneficial to the D.L. & W. and was also supported in principle by Boston interests who saw it as a means of remaining independent of Commodore Vanderbilt. Sloan cautioned Joy that since the New York Central "do not suspect us" or "our programme . . . keep all to yourself."<sup>45</sup> This particular plan was never actuated, possibly as a result of the devastating rate wars which erupted and which no doubt dissuaded Taylor, a conservative banker, from embarking on an unprofitable enterprise so contrary to many of his business principles. Yet in 1881, just before his death, Taylor succeeded in laying the foundation for construction of a new road which when complete linked the D.L. & W. at Binghamton with the Wabash at Buffalo.

A brief description of how Taylor helped integrate the Lackawanna Iron and D.L. & W. may serve to illustrate his importance in this area. In 1861 Taylor arranged for the sale of

the Mount Hope Iron Company to Lackawanna Iron. The Mount Hope Company, which owned one of the most productive iron mines in New Jersey, was controlled by Taylor and Heckscher. John I. Blair advised Joseph Scranton that he was fully "impressed of the Importance" of Lackawanna Iron "owning the property," and he further noted that "Mr. Taylor can no doubt Bring it about."<sup>46</sup> Taylor arranged the sale over the objections of William Dodge who rightly feared that if Taylor received stock as he insisted rather than cash for his Mount Hope interests "he will wish to control and have his own way" in the Lackawanna Iron and Coal Company.<sup>47</sup> The tone of Taylor's letters to Scranton from this point on seem to indicate that after the integration of these two firms and the increase in Taylor's stock holdings in the Lackawanna Iron and Coal Company which resulted from the mode of the sale, Taylor did assume firm control of this concerns policy.

Taylor followed a similar path to control of the D.L. & W. Although Taylor was not one of the original organizers of this road, his presence as a financier increased his value to the road during the late 1850's. Contrary to popular legend he did not buy control of this road at bargain prices during the Panic of 1857. Rather he gained a leading position by a program of continuous purchases and stock exchanges. In 1855 together with Charles Heckscher, he supported the construction of the Lackawanna and Bloomsburg Railroad which opened up the coal

fields south of Scranton. This railroad which at first operated independently and then was leased to the D.L. & W. finally consolidated with D.L. & W. in a move which resulted in a large increase in Taylor's D.L. & W. holdings. In a similar manner Taylor's D.L. & W. equity was increased when the Morris and Essex, part of the D.L. & W. system, completed its purchase, for stocks and bonds, of the Jersey Shore Improvement Company in 1875. This concern originally organized in 1854 by Taylor, Heckscher, M. O. Roberts and J. J. Phelps was by then almost completely owned by Taylor and Pyne who held 5,786 of the 7,715 shares of the company.<sup>48</sup> In a similar manner Taylor, who had gradually increased his equity in various coal land companies in the Scranton area by buying out the interests in the D.L. & W. in exchange for stock and bonds which in turn established his supremacy in the D.L. & W.

Throughout these consolidations, Taylor did not forget his lieutenants and associates. He had as a young clerk been allowed to share to an extent in the Howland's success when his employers permitted him to trade on his own account while in their employ. Convinced that a man with a stake in the business he served would show greater initiative, Taylor followed a policy of lending his associates the cash needed for stock purchases. Though on at least one occasion he distributed shares to Benjamin Clarke and Edwin Hatfield with the notation that such a gift of stock would serve "to make them interested in the management,"<sup>49</sup>

Taylor's favorite device was to grant long term personal loans or liberal loans on favorable terms from the City Bank for the financing of stock purchase.

By means of the policies and principles enumerated, Moses Taylor accumulated an outstanding personal fortune while leading the companies which he controlled to prominent respect positions in their respective industries. As an entrepreneur Taylor met the six major qualifications set by Cole for success. He helped develop and maintain an organization. He determined business objectives and was able to adapt advantageously to new conditions. Certainly he excelled at the task of procuring and providing financial resources. Though not a pioneer, he welcomed and supported new technological and management techniques and helped introduce new products and ideas to the market. And he was able to accomplish all of this while maintaining excellent relations with the general public and governmental agencies.<sup>50</sup> By all these criteria few will deny that Moses Taylor, as a businessman, was an outstanding example of success. Most of his achievements were to a large extent based on his ability to transfer the skills and talents he had developed as a merchant to the newer fields of banking and industrial enterprise.

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