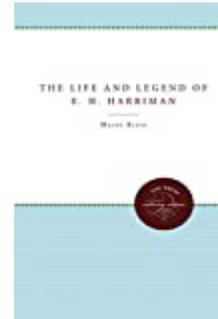


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Maury Klein. *The Life and Legend of E. H. Harriman*. Chapel Hill: University of North Carolina Press, 2000. xvi + 521 pp. \$34.95 (cloth), ISBN 978-0-8078-2517-4.



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At a rare public speech given at the 1904 St. Louis World's Fair, railroad magnate Edward Henry Harriman set the tone for a new century of railroad management by emphasizing the need to "not only reconstruct and re-equip these lines, but to bring them under uniform methods and management . . . [through] the combination of capital." (p. 320). The twin goals of modernization and control echoed through the life of E. H. Harriman and explain much about both his contributions to railroad operations and finance and to his blighted public image. Maury Klein draws on a wealth of archival sources in order to provide a masterful account of Harriman's contributions to the history of American business. His book is more than a work of railroad or financial history, and more than the simple facts of one individual's existence; it is instead a successful effort to use Harriman's life as an entre into the complex evolution of American business during the Gilded Age and the Progressive Era.

According to Klein, Harriman, like Jay Gould (the subject of an earlier biography by the same author) has traditionally been defined by the mythology that has grown up around him. The Harriman myth focused primarily on the financier's seemingly magical ability to transform rusting, decrepit railroads into modern money-makers and, less charitably, on his perceived role as an old-style robber baron antithetical to such newly en-

lightened Progressives as Theodore Roosevelt—a president who eschewed his earlier friendship to Harriman in order to launch a highly publicized attack against him. As Klein points out, these myths are at best half-truths, and do little more than scratch the surface of a complex and often misunderstood individual whose success and significance—stemmed from his role as a transitional figure in the finance and railroad industries.

Even before E.H. Harriman's birth in 1848, his father had established a reputation as a chronically unsuccessful entrepreneur, and one who was often dependent on the charity of others. From his childhood, the younger Harriman developed a deep sense of independence, a commitment to organization, and a determination to be in absolute control of any situation. At age fourteen he began working on Wall Street, fortuitously enough just as the Civil War was unleashing a new speculative fervor in America's financial institutions. By age twenty-two (in 1870), Harriman had become a member of the New York Stock Exchange. No one who sat on the exchange in the late 1800s could avoid involvement in railroad finance, and Harriman soon became associated with the nation's first big business. His initial involvement in railroad ownership (of the Ogdensburg and Lake Champlain in 1879 and the Sodus Bay & Southern in 1880), were financially unrewarding. Nevertheless, the latter railroad

initiated the mystique of Harriman as a rebuilder of railroads (in reality, Harriman did nothing to improve the Sodus Bay's physical plant) and more importantly taught Harriman that railroads with no intrinsic value could still be disposed of profitably to the giant system-building railroads that were fighting to invade each other's territories.

Harriman's early railroad involvement led to an association with Stuyvesant Fish and then to affiliation with the Illinois Central. By the mid-1880s Harriman had thus begun to specialize in railroad securities without abandoning entirely other investment opportunities—a transition that reflected the growing financial specialization of the era. On the Illinois Central, Fish and Harriman enhanced an already prosperous railroad by improving the physical plant to enable the movement of larger volumes of traffic at lower per-unit cost. They also reorganized the managerial structure on the basis of decentralized operating divisions rather than centralized departments and insured that, in Harriman's words, "We should first adopt a plan & then make our officers fit into it as best we can, & not make a plan to fit our officers." (p. 80) Harriman was certainly not the first industry executive to think along those lines, and many of the policies for which he became famous were in reality derivative of Fish and others. However, Harriman did realize that the growth of giant railroad systems, increased competition, overbuilding, and growing traffic volumes, especially on western railroads, mandated the widespread application of these strategies.

Growing conflicts with Fish led Harriman away from the Illinois Central and toward the Union Pacific. Before Harriman arrived on the scene in 1898, the UP was hardly the antiquated streak of rust portrayed by the Harriman legend. While it was a reasonably modern and successful railroad, Harriman realized that its performance could be improved greatly by restructuring its debt (and removing the federal government as a creditor) and by undertaking massive physical improvements to accommodate the enormous traffic potential of a region that was beginning to emerge from the depression of the 1890s. In rebuilding the UP, Harriman overcame opposition from "organization men" at all levels of a traditionally conservative industry, who saw few compelling reasons why they should not continue the traditional practices of nineteenth-century railroading. Eventually, Harriman created a line-and-staff organizational structure (similar to that pioneered by the Pennsylvania Railroad) that granted authority to both departments and operating divisions. Within ten years, Harriman had or-

chestrated the expenditure of \$160 million in capital improvements, which produced the anticipated objective of tripling overall ton-miles while increasing average train length, car capacity, and engine utilization.

In addition to his commitment to modernization, Harriman developed an appreciation for the value of communities of interest—essentially interlocking boards of directors—in the railroad industry in order to prevent overbuilding, guarantee equitable access to the traffic of connecting railroads at gateway cities, and control the effects of "excess" competition. Harriman's commitment to communities of interest stemmed from his involvement in the Alton and was reinforced by a battle with the Great Northern's James J. Hill for control of the Chicago, Burlington, and Quincy, yet eventually ran headlong into the reformist impulses of the Progressive Era. Harriman envisioned these communities of interest as the precursors of giant rail systems in the West. To that end, he acquired the Southern Pacific in 1901 and began to "Harrimanize" it in much the same manner as the Union Pacific. Together with the Illinois Central, the UP and SP formed the core of the Harriman system—three technically separate corporate entities that had similar organizational structures and philosophies and whose standardization and uniformity produced substantial economies in purchasing, operations, and maintenance.

The battle for control of the Burlington led to the creation of a much less harmonious system in the northern Plains states and Pacific Northwest, as Harriman and Hill uneasily shared in the creation and control of the Northern Securities Company in 1901. This holding company briefly knitted together the Great Northern, the Northern Pacific, and the Burlington but soon became a lightning rod for growing public opposition to "trusts" and an early target for the nation's first trustbusting President. If Harriman was disappointed by the Supreme Court's 1904 decision ordering the dissolution of Northern Securities, he was even more distressed by Roosevelt's attacks on his personal integrity, particularly since the two men had once been friends. This presidential condemnation did more than anything else to tar Harriman as a monopolistic robber baron and enemy of the people. Harriman's public disagreements with former ally Stuyvesant Fish and his well-intentioned but misinterpreted efforts to rescue the financially ailing Equitable Life further tarnished his reputation.

At the same time, and perhaps because he was stung by what he felt was unwarranted public criticism, Harriman pledged his corporate and personal resources to

a variety of public works. While Harriman never established a charitable trust as did so many other philanthropists, he was instrumental in the creation of a state park near his New York home, sponsored a scientific expedition to Alaska (which, far more than his railroad activities, first brought this essentially private individual into the public arena), assisted victims of the 1906 San Francisco earthquake, and saved California's Imperial Valley from flooding. After Harriman's death, his widow commissioned George Kennan (whose distant relative George F. Kennan, like Harriman's son W. Averell Harriman, became a leading figure in U.S. foreign policy) to write a biography telling the "true" story of her husband and in so doing to clear his name.

Harriman's last years were not pleasant ones. While some of harshest critics developed a new respect for the financier, the general public had "just begun to grasp the distinction between corporations and the men who dominated them," (p. 395) and was not yet ready to admit that giant concentrations of capital were are part of the American economy. Nor was the ICC convinced, and that agency launched a scathing inquiry into Harriman's various communities of interest. An exhausted, weakened, and embattled Harriman succumbed to stomach cancer in 1909.

As Klein points out, Harriman owed much of his success to historical contingency—simply being in the right place at the right time. He arrived on Wall Street just as the Civil War changed the nature of speculative finance, entered the world of railroad finance at a time of rapid construction and system building, embraced the concept of the community of interest at a time when "merger mania" was sweeping the nation's businesses, and, less favorably, appeared in the guise of a soulless robber baron just as the era of the industrial statesman gave way to Progressivism. Ultimately, Harriman succeeded not so

much because he was an original thinker, but because he "implement[ed] the strategy [of high-volume traffic carried at low rates] on a grand scale from which other managers shrank because they lacked the backbone." (p. 445) His ability to implement this vision not only revitalized the Union Pacific and the Southern Pacific; it also enabled the railroad industry to survive virtually intact against the emergence of various forms of modal competition. His concept of communities of interest prefigured the giant railroad systems that have emerged in the West in recent decades, after the now-defunct ICC began to worry less about competition within the railroad industry and more about the long-term survival of the industry itself.

Klein has succeeded admirably in weaving the various strands of Harriman's life together with larger secular developments in the railroad and financial industries, government regulation, and public policy. While he does at times seem to identify too closely with his subject, and occasionally teeters on the brink of suggesting that Harriman can do no wrong, Klein is careful to point out that Harriman's greatest successes came from the application of ideas that were not originally his own, that Harriman was controlled by events as often as he controlled them, and that historical contingency lay behind a good portion of Harriman's success. In short, Klein does more than simply paint a portrait of an individual—he sets Harriman with the broad landscape of a nation whose economic and political values were in the midst of sweeping change.

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