August 11, 1934

To the Committee on Graduate Study:

I submit herewith a thesis by Mr. Riley Oakey Biggs, "The Development of Railroad Transportation in East Tennessee During the Reconstruction Period", and recommend that it be accepted for nine quarter hours credit in fulfillment of the requirements for the degree of Master of Arts, with a major in History.

S. J. Folmsbee
Major Professor

At the request of the Committee on Graduate Study, I have read this thesis, and recommend its acceptance.

Charles P White

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Accepted by the Committee

J. S. Guest
acting Chairman

THE DEVELOPMENT OF RAILROAD TRANSPORTATION IN EAST TENNESSEE DURING THE RECONSTRUCTION PERIOD

A THESIS

Submitted to the Graduate Committee
of
The University of Tennessee
in
Partial Fulfillment of the Requirements
for the degree of
Master of Arts

by

RILEY OAKEY BIGGS

August 1934

PREFACE

The Civil War demonstrated most effectively the value of existing railroads as well as the need for greater development of this mode of transportation. Paradoxically, that war contributed greatly to the destruction of lines of road already completed, and to the paralysis of railroad enterprises under construction. Especially was this true of the border states. Railroads in Tennessee, and in the eastern part of that state in particular, suffered considerably from wilful destruction and deterioration due to neglect during the conflagration between the states.

When order was restored in 1865, railroad companies in East Tennessee were faced with the herculean task of rehabilitating existing lines and renovating and completing unfinished roads. Private capital had been practically wiped out by the war, and the natural resources of the state were insufficiently developed to furnish the necessary means for reconstructing the railroads of the state so necessary to the development of those resources. In an effort to meet this stringency, the General Assembly of Tennessee issued enormous quantities of state bonds to railroad companies.

During the years immediately following the war, when so many citizens were disfranchised, the control of the affairs of the state was largely in the hands of the East Tennesseans. Accordingly, railroad executives in that section, often by the exercise of questionable methods, obtained enormous loans from the state and exercised many privileges not fully enjoyed by other companies of the state. It is the purpose of this narrative to present in a unified story the history of the various railroad developments in East Tennessee during the reconstruction period (1865-1880). In order to make the story as complete as possible, the pre-war origins of the various enterprises are discussed rather fully. The East Tennessee and Georgia and the East Tennessee and Virginia were completed before the advent of the Civil War; hence, no considerable space is devoted to the construction of these roads. The consolidation of those two companies and subsequent acquisitions, however, are discussed somewhat more at length. Particular attention is called to the Cincinnati Southern Railway which was financed by the city of Cincinnati and completed to Chattanooga in 1880.

Acknowledgment is made in footnote citations to those who have contributed information employed in this study. Personal acknowledgment is due to Dr. P. M. Hamer, of the University of Tennessee, upon whose suggestion this

work was undertaken. The writer also tenders his thanks to Dr. Stanley J. Folmsbee for the use of certain valuable notes. If there be anything of merit in this narrative, a large portion of the credit is due to Dr. Folmsbee, under whose supervision the writing was done. The staffs of the University of Tennessee and Lawson-McGhee libraries rendered valuable assistance in the research involved in this study. Finally, grateful acknowledgment is extended to Messrs. O. B. Keister and F. E. Hanson of the Southern Railway Company for their courteous and helpful cooperation.

R. O. B.

Knoxville, Tenn.,
August 11, 1934.

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INTRODUCTION

CHAPTER I

Railroad Activities in East Tennessee Before 1865

This study concerns itself primarily with the railroad development in East Tennessee during the reconstruction period. Since railroad construction was well under way in Tennessee before the advent of the Civil War, it is necessary to summarize briefly the progress made prior to that time. This chapter is, therefore, devoted to that purpose.

There were two successive waves of the railroad movement in the United States before 1861. The first began about 1830 when steam transportation was in its infancy and terminated about 1840, due to the panic of 1837. The second wave began about the middle of the 1840's when the financial crisis had somewhat abated, and lasted until the Civil War almost ended railroad construction. Both of these waves had a profound influence upon East Tennessee. The first showed the direction which future railroad development would follow and demonstrated the necessity for inter-state cooperation. The second somewhat relieved that section from the handicaps of inadequate transportation under which it had long labored.[1]

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1. For a more detailed study of the railroad movement in East Tennessee prior to the Civil War see: J. W. Holland, A History of Railroad Enterprise in East Tennessee, 1836-1860.

The American railroads had their beginning in the older states on the coast where population and commercial activity were in greater evidence than elsewhere. The newer states to the west of the Alleghany Mountains were, of necessity, forced to rely chiefly upon the navigable streams for their transportation. In this mode of travel some sections of the "New West" were more fortunate than others. Before railroads began to open up the trans-Alleghany states the eastern portion of the elongated state of Tennessee was particularly hampered by lack of transportation facilities. The produce from the upper portion of East Tennessee found an outlet to the world-at-large by means of flat boats that often had to await the flood season to float down the French Broad, Holston, or Clinch rivers to the Tennessee which offered dangerous obstructions at Muscle Shoals. Following the circuitous Tennessee, Ohio, and Mississippi rivers for hundreds of miles the goods finally reached New Orleans for reshipment to the East. This long and cumbersome journey was too costly for many of the products of East Tennessee to find their way to the distant markets. Imports from the East followed a different route and mode of transportation. The manufactured goods that could not be furnished locally were brought by wagons over almost impassable roads from Lynchburg and Baltimore.[2] Naturally, the sturdy farm-folk of East Tennessee had access to few of the luxuries of life.

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2. J. B. Killebrew and J. M. Safford, Introduction to the Resources of Tennessee, p. 313.

A more economical and adequate means of transportation would open up the natural resources of East Tennessee. The river valleys were fertile and productive of more food stuffs than local consumption demanded. More important still, the mountains of that section contained coal, iron, zinc, copper, and other minerals, as well as marble. For the East Tennesseans to realize their natural heritage, an outlet to the East by rail was imperative. Such an outlet, it was believed, would convert rural villages into towns and towns into cities. The Tennessean would be able to enjoy more comforts, luxuries, and refinement. The future of Tennessee and especially of East Tennessee depended upon railroad communication.

Consequently, each and every settlement, large or small, in the still undeveloped trans-Alleghany states hoped to become a great metropolis. Geologists, editors, and boosters never tired of proclaiming to the world that Providence had especially blessed and heavily endowed the eastern part of Tennessee. A railroad connection, with the "iron horse" bringing the rest of the world to its doors and distributing the products of the East Tennessee hills and valleys abroad, would be the answer to the dream of greatness.

The first opportunity for a concrete expression of this dream came in 1831, when the Lynchburg and New River Railroad was chartered by the legislature of Virginia. This road when completed would, by means of rivers and rails, open the

western part of that state to the Atlantic seaboard. Citizens of Abingdon, Virginia, sought to have the road extended to that town. In this they were joined by East Tennesseans who desired to have the proposed road continued to Knoxville. After much agitation the proposed extension failed to materialize due to the lack of financial support from the two states.[3]

The residents of the small town of Rogersville in upper East Tennessee were so interested in the proposed railroad that a bi-weekly newspaper appeared for the sole purpose of agitating railroad communication with the Atlantic. This paper, The Rail-Road Advocate, first appeared on July 1, 1831, and continued publication until June 14, 1832. The last issue of this paper portrayed the hope of the section it endeavored to aid:[4]

> Railroads are the only hope of East Tennessee. With them she would be everything the patriot would desire;- without them, she will continue to be, what she is, and what she has been, a depressed and languishing region - too unpromising to invite capital or enterprise from abroad, or to retain that which may grow up in her bosom. They are the only improvement at all suited to her condition.

When the editor of The Rail-Road Advocate learned that the legislature of Virginia had declined to aid the proposed road, he advised that East Tennesseans should turn their at-

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3. S. J. Folmsbee, "The Beginnings of the Railroad Movement in East Tennessee", in East Tennessee Historical Society's Publications, V (1933), pp. 83-85.
4. Ibid., p. 81.

tention to the southeastern seaboard where they would receive full cooperation at the hands of the city of Charleston.[5] The Charlestonians were already on the alert. In order to secure the trade of the upper Savannah basin the South Carolina Canal and Railroad Company was chartered in 1827 1828. During 1833 that company completed a railroad from Charleston to Hamburg on the Savannah River, opposite Augusta.[6] Before the road was completed, however, there was considerable agitation for its extension to the west. Dr. J. G. M. Ramsey of Knoxville had been particularly active in advocating the desired railroad connection between Charleston and the Tennessee River.[7] Although interest was developed by a convention held in Asheville in 1832,[8] the project lanquished until revived by Cincinnati two years later. That city was seeking an outlet to the southeast by rail. Charleston immediately began to clamor for railroad communication with the Ohio, and in 1835 the South Carolina legislature was induced to appropriate $10,000 to make a survey for the proposed road. Also in the same year a South Carolina company was chartered to build the desired railway.[9] Subsequently, charters were granted in the other states through which the road was to pass.

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5. Ibid., p. 85.
6. U. B. Phillips, A History of Transportation in the Eastern Cotton Belt to 1860, pp. 137-153.
7. J. G. M. Ramsey, Autobiography, M. S. pp. 18-21.
8. Folmsbee, op. cit., p. 87.
9. Phillips, op. cit., pp. 171-179.

In order to secure united action and to stimulate further interest in the project, the famous Knoxville Convention was held, July 4-8, 1836. Railroad enthusiasts from many southern and mid-western states attended. The initiative was taken by South Carolina and especially by Robert Y. Hayne and John C. Calhoun. After considerable controversy a route was adopted which utilized a portion of the Charleston and Hamburg road and crossed the Alleghany Mountains at Asheville, descended the French Broad River to Knoxville, thence to Kentucky through Cumberland Gap. Although the Louisville, Cincinnati and Charleston (which name was adopted by the Knoxville Convention) was begun deliberately and pushed forward energetically, it proved a failure in so far as Tennessee was concerned. The panic of 1837 put an end to the enterprise almost at its beginning.[10] The idea persisted, however, and continued to be a stimulating force for many years.

The decision of the Knoxville Convention to adopt the French Broad route caused considerable dissatisfaction among the delegates from the counties of lower East Tennessee and from Georgia, since the route chosen would eliminate those regions from the desired outlet. This disappointment, however, served to stimulate railroad enterprises already initiated in those sections. In 1833 the Georgia Railroad Company was incorporated to build a road from Augusta, which

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10. Holland, op. cit., Part II.

already had access to Charleston by rail, through Athens to the Tennessee River.[11] Simultaneously, a movement was inaugurated in Memphis to connect that city with Augusta.[12] Since both of the proposed routes were to cross the northern part of Georgia and direct their traffic to Charleston, the central Georgians took steps to secure the western trade for the port of Savannah. In this they had the cooperation of several railroad companies of the state. To placate the dissatisfied regions the Georgia legislature in December, 1836 authorized the construction of the Western and Atlantic from Atlanta to Ross' Landing (Chattanooga) as a state enterprise. That road was begun almost immediately although it was not finished until 1851.[13]

No sooner did the leading spirits of the Tennessee Valley learn that railroad enterprise in Georgia had been begun with good prospects, than they began to work toward building a railroad from Knoxville through the Hiwassee district to the Georgia line. To this end the Hiwassee Railroad Company was chartered in January 1836.[14] The undertaking was sponsored chiefly by a group of men from McMinn County who were stimulated to aggressive action by the unsatisfactory decision of the Knoxville Convention regarding

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11. Phillips, op. cit., pp. 226-227.
12. Ibid., pp. 304-305; R. S. Cotterill, "The Beginnings of Railroads in the South West", in Mississippi Valley Historical Review, VIII, (1921-22), p. 319.
13. Phillips, op. cit., pp. 303-318.
14. Tennessee Archives; Private Acts, 1835-36, pp. 23-31, cited by Folmsbee, op. cit., p. 88.

the route for the Louisville, Cincinnati and Charleston Railroad.[15] The Hiwassee is credited by most Tennessee historians as being the first railroad in the state upon which work was actually begun. Though not the first to be chartered, that company initiated Tennessee's railroad career by breaking the soil in 1837.[16] From the outset, however, the company was confronted with financial difficulties. Nevertheless, work was pushed forward and about sixty miles of roadbed prepared for the rails and the bridge across the Hiwassee was partly completed when the company was forced into bankruptcy in 1842.[17] After that the project slumbered for some years.

The financial crisis which put an end to the Louisville, Cincinnati and Charleston and forced the Hiwassee into receivership had subsided by 1845. In that year a great commercial convention was held at Memphis which was attended by delegates from many southern and mid-western states. This convention, which was presided over by John C. Calhoun, gave rise to a second wave of railroad enthusiasm in the South.[18] By 1845 roads from Augusta and Savannah were in operation and work had been resumed on the Western Atlantic. As a result of this activity the Nashville and Chattanooga Railroad

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15. Folmsbee, op. cit., p. 91.
16. Killebrew and Safford, op. cit., p. 311; W. R. Garrett and A. V. Goodpasture, History of Tennessee, p. 257; John Trotwood Moore, Editor, Tennessee, The Volunteer State, 1769-1923, I, p. 445.
17. Folmsbee, op. cit., p. 91.
18. St. G. L. Sioussat, "Memphis as a Gateway to the West", in Tennessee Historical Magazine, III, (1917), pp. 77-114.

was chartered in that year and that road was completed to Chattanooga in 1854, being the first Tennessee railroad put into permanent operation.[19] These enterprises, especially the former, caused interest to be awakened in the Hiwassee Railroad. That company was reorganized in 1848 under the style of East Tennessee and Georgia Railroad Company and completed from Dalton, Georgia, to Knoxville in 1855. Chattanooga had a double connection with the East Tennessee and Georgia, at first via Dalton over the Western and Atlantic and later by the completion of the junction line from Chattanooga to Cleveland in 1858.[20]

As a handmaid to the East Tennessee and Georgia, the East Tennessee and Virginia Railroad, chartered in 1848, likewise was completed before the war. After a very precarious career the last spike was driven on that road in May, 1858.[21] Two years earlier the Virginia and Tennessee had been completed from Lynchburg to Bristol.[22] The completion of the link from Bristol to Knoxville formed a continuous line of roads 241 miles in length which spanned East Tennessee and Georgia and the East Tennessee and Virginia effected

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19. S. J. Folmsbee, "The Origins of the Nashville and Chattanooga Railroad", in East Tennessee Historical Society's Publications, VI, (1934), (Now in the process of being printed).
20. J. W. Holland, "The East Tennessee and Georgia Railroad, 1836-1860", in East Tennessee Historical Society's Publications, III, (1931), pp. 103-106.
21. James W. Holland, "The Building of the East Tennessee and Virginia Railroad", in ibid., IV, (1932), p. 99.
22. R. S. Cotterill, "Southern Railroads, 1850-1860", in Mississippi Valley Historical Review, X, (1923-24), p. 402.

connections at their termini which gave East Tennessee two outlets to the Atlantic, the former through Georgia and South Carolina, the latter through Virginia.

Meanwhile, enthusiasm for railroads reached the fever stage during the 1850's. Encouraged by a liberal policy of state aid (discussed in next chapter), Tennessee, and especially its eastern portion, was incited to great activity. Often exercising little forethought and rarely possessing the means to survey a route, visionary enthusiasts from cities, towns and cross-roads sought to incorporate railroad companies. In order to expedite matters the legislature often created these "paper"railroads collectively in omnibus acts and kept them alive by "riders" on other bills. Almost every county and town in East Tennessee, however small the population, was either involved in the chartering of some railroad or had aspirations in that field.

Of the many roads chartered before the Civil War some resulted in actual organization and set about to build their proposed lines. In addition to the East Tennessee and Georgia and the East Tennessee and Virginia railroads, which were completed, work was begun on several other roads. A system of proposed roads in South Carolina and North Carolina in the direction of Knoxville was responsible for the chartering of the Knoxville and Charleston Railroad by Tennessee. Railroad activities in Kentucky were largely responsible for the chartering of the Knoxville and Kentucky road. The Cin-

cinnati, Cumberland Gap and Charleston was chartered to meet a road from North Carolina in the valley of the French Broad. The Rogersville and Jefferson was incorporated for the sole purpose of giving Rogersville an outlet to the East Tennessee and Virginia Railroad. The pre-war activities of these four companies being inconsiderable, they are discussed in later chapters.

In 1850 there was a total of 9,021 miles of railroad in operation in the United States. During the next decade that figure had risen to 30,635 miles.[23] During the same period more than twelve hundred miles of railroad were built in Tennessee.[24] Of this amount less than a fifth was located in East Tennessee. Nevertheless, East Tennesseans profited by existing roads. In 1860 a passenger could travel by rail from Chattanooga or Knoxville to Washington and the East; or to Atlanta, over the Western and Atlantic, and from that point to the other leading cities of the South; or to Memphis and New Orleans over the Memphis and Charleston; or to Nashville and the Northwest over the Nashville and Chattanooga and the Louisville and Nashville.

The city of Chattanooga, being very advantageously located, was especially favored with railroad connections. Four main lines terminated there, namely: The East Tennessee

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23. H. V. Poor, "Retrospect of American Railways in 1868", in Slason Thompson, Editor, The Railway Library 1910, p. 16.
24. Philip M. Hamer, Editor, Tennessee, A History, 1673-1932, I, p. 453.

and Georgia; the Western and Atlantic; the Nashville and Chattanooga; and the Memphis and Charleston. After the Civil War another great railroad chose Chattanooga for its terminal point. That road, the Cincinnati Southern Railway, will be given full consideration later.

What progress the various railroads of Tennessee might have made had the war not occurred is a matter of conjecture. It is likely that considerable construction would have been done. When the bugle sounded the "call to arms" railroad construction practically ceased, and roads already completed subjected to destruction.

War is destructive; it is no respecter of life or property. The Civil War was no exception. In every part of the country troops had to be mobilized and transported to the scenes of combat. Railroads figured very materially in the transportation of troops, munitions, and supplies of war. To facilitate matters, it was often deemed expedient for the contending armies to assume control of all railroad communications within their grasp. Once an army gained possession of a railroad it hesitated to give it up lest it fall into the service of the enemy. Retreating forces usually managed to escape with all rolling stock and often tore up the track and burned bridges behind them. Professor Fish of the University of Wisconsin makes the following report on the destruction which befell the southern railroads during the Civil War:[25]

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25. Carl Russell Fish, "The Restoration of the Southern Railroads", in University of Wisconsin, Studies in the Social Sciences and History, II, pp. 6-8.

> ... In Tennessee, few miles escaped destruction, except the road between Chattanooga and Knoxville, ...The iron probably did not rest intact on any complete road in the South; in many cases it was torn off for twenty or thirty miles together, and often removed or twisted. The ties remained more often than the tracks, but hundreds of miles of them had been used for firewood, the almost universal railway fuel of the South....Depots were generally burned, and rolling-stock destroyed, worn or lost, so that few roads could muster half they had had and the total remaining in the South could hardly have been a third that of 1861.... The United States, like the Confederacy, took all available material for which there was not an immediate use. It, therefore, completely stripped various branch lines....

In 1863 the federal troops advanced into East Tennessee and promptly seized all railroad properties in that section and held them until the conclusion of the war.[26] The retreating Confederate forces had wrought much damage to the East Tennessee and Georgia and possibly to the East Tennessee and Virginia. The United States troops replaced the twisted rails and rebuilt the Loudon and Hiwassee bridges which had been burned.[27] Professor Fish states that in Tennessee the reconstruction by the United States army probably made good the destruction.[28] This statement, however, is questionable.

Wilful destruction was not the only loss sustained by

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26. Fairfax Harrison, A History of Southern Railway Company, p. 657.
27. "Report of the Select Committee Appointed to Investigate the Affairs of Southern Railroads", in House Journal, Thirty-ninth Congress of the United States, Second Session, Report No. 34, pp. 547-548.
28. Fish, op. cit., p. 11.

the railroads due to the war. Military authorities made little or no expenditures for the upkeep of rolling stock or the existing lines. The roads that were in the process of construction when the conflagration started suffered equally if not more than the completed roads. The ties and rails were taken up to repair other roads or suffered from neglect. As a consequence of erosion, many of the roadbeds were practically useless. The personnel of the various companies were also disrupted. A very serious loss resulted from accrued interest on investments. No hope of recompense could be expected from these latter losses. In fact, there was little likelihood of any of the losses being repaid.

When the war was concluded in 1865 the federal government immediately began to take steps to restore the railroads to their rightful owners. When the railroad companies were reorganized on a "loyal basis", their roads as they stood, were handed over to the proprietors. The companies were also given the privilege of buying any government stock they desired at an appraised value. Furthermore, the government provided that records should be collected showing the amount expended on each road by the United States, and the value of services performed by that road during its control by the military department. Although this provision did not indicate that railroad companies would be paid for the use of their roads, many companies chose to regard it so.

The East Tennessee and Virginia and the East Tennessee and Georgia railroads bought large quantities of rolling stock from the government hoping that in the end the indebtedness incurred by such purchases might be canceled in favor of counter claims for services rendered during the War. The East Tennesseans also felt that the United States would be especially lenient with that section since it was more or less loyal to the Union during the war. With this in view, the East Tennessee companies prolonged as long as possible a settlement with the United States.[29]

To the indebtedness created by the purchase of large quantities of rolling stock from the government at high war prices, and the heavy costs of rehabilitation was added the disastrous affects of the panic of 1873. Thus it became almost impossible for railroad companies to discharge their obligations. Accordingly, in 1875 the United States provided that settlements could be made with the government for 75 per cent of the appraisal value of the materials sold the roads. By 1877 the situation was cleared, and as Professor Fish states, the "... preposterous claims of the Tennessee roads for compensation during the period the government held them were laid to rest ...."[30]

Having secured equipment, rehabilitation was next in order for the railroads completed and those in process of

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29. Ibid., p. 14.
30. Ibid., pp. 25-26.

construction. It was of course needless to seek financial support from the stockholders. In order to obtain the funds necessary to reconstruct and complete their lines, the railroad officials directed their pleas to the General Assembly, which they found sympathetic and generous. Because the state, through its loans to the various railroad companies, figured so materially in the construction and rehabilitation of these roads, the next chapter is devoted to the consideration of state aid.

CHAPTER II

State Aid to Railroads

In 1836 Tennessee initiated a system of state aid designed to promote overland communication. When turnpike and railroad companies were organized and two-thirds of the stock of those companies sold, the state agreed to subscribe to the remaining third of the capital stock. Two years later the state's subscription was increased to one-half the stock. Under the second law the state subscribed $650,000 each to the Hiwassee and the Louisville, Cincinnati and Charleston railroad companies. Not until after the Hiwassee underwent reorganization did that company draw the full $650,000, and only $32,000 was paid by the state to the Louisville, Cincinnati and Charleston before its project was abandoned. This system of state aid was abolished in 1840, due principally to the disasters of the panic of 1837, to sectional jealousies, and to the opposition voiced by the adherents of river transportation.[1]

A more satisfactory system of state aid for railroads was adopted by the legislature in 1852.[2] By a legislative

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1. S. J. Folmsbee, "The Beginnings of the Railroad Movement in East Tennessee", in East Tennessee Historical Society's Publications, V, (1933), pp. 90-99.
2. Acts, 1851-52, pp. 204-215.

act of that year it was provided that any railroad company fulfilling certain requirements might be granted a loan of eight thousand dollars per mile, in one thousand dollar bonds of the state, bearing six per cent interest. Among the safeguards laid down by the law of 1852 there were certain conditions which were to be satisfied prior to the issuance of any bonds: (1) bona fide stock of good and solvent nature must be subscribed sufficient to grade and prepare for iron the whole length of the road within the state, and a section of thirty miles must be graded and ready for the rails; (2) the state was to hold a primary lien on all properties of the company aided; (3) that the above conditions were fulfilled must be ascertained by an affidavit signed by the president and engineer of the road. These conditions being satisfied, the officials of the road could draw bonds of the state to complete each thirty mile section of the road. Further stipulations accompanied the bond issue: (1) the proceeds of the bonds were to be used for no purpose other than procuring rails, spikes, and chairs, and the laying of the iron; (2) interest on the bonds was to be deposited in the Bank of Tennessee at Nashville fifteen days before due, and in case of failure the governor was to appoint a receiver to handle the road for the state; (3) a sinking fund was to be provided to retire the bonds at maturity.

In 1854, the above law was amended by the legislature in five noteworthy particulars, namely: (1) a Commissioner

of Roads was to be appointed by the governor for the purpose of examining the conditions of roads seeking state aid, and supervising the state's interests in all railroads and turnpikes; (2) the misuse of state bonds was made a felony punishable by a term in the penitentiary; (3) the appropriation was increased from eight thousand dollars to ten thousand dollars per mile; (4) bonds of the state were in no case to be disposed of for less than par; (5) bridge aid was provided for, the maximum amount being allotted for spanning the larger streams.[3] The word maximum was construed by a later act of the legislature to mean $100,000.[4]

Under the provisions of the laws of 1852 and 1854 there were loaned to railroads prior to the war, bonds of the state totaling $14,308,000.[5] Of this amount East Tennessee received approximately $3,900,000.[6] That sum made it possible for the railroad companies of the state to get off to a good start. With sufficient safeguards and an efficient administration in control of affairs at Nashville, the roads securing aid before the war were, as a whole, quite prompt in the payment of interest to the state. This condition, however, was not destined to last.

The Civil War disrupted the finances of the railroads and rendered the payment of interest to the state impossible.

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3. Ibid., 1853-54, pp. 205-208.
4. Ibid., 1855-56, p. 359.
5. "Joint Committee Report on State Debt", in House Journal Appendix, 1879, p. 6.
6. "Report of the Comptroller", in ibid., pp. 159-173.

Consequently, that interest continued to accrue. This fact, coupled with the other chaotic results of the war, contributed greatly to the defeat of the purpose of the internal improvement laws, namely: that the state might aid internal improvements without any of the burden falling upon the taxpayers.

After the war, reconstruction of the railroads of the state was urgently needed. In order to recondition various roads and put them in running order; to buy engines and build depots; and to complete unfinished lines, the state began a hazardous policy of granting liberal aid to the near-bankrupt railroad companies. Whereas, the general internal improvement laws had provided for a uniform system of state aid, based upon the number of miles of roadbed graded, the rehabilitation acts made available to railroad officials large quantities of state bonds, issued in blocks, without adequate provisions to insure proper usage. Nor were there satisfactory criteria for determining the actual and relative needs of the various railroad companies. This condition was naturally conducive to fraud and speculation.

The first step taken toward the rehabilitation of railroads was an act passed in January, 1866, the preamble of which recited the ruined condition of the roads and their inability to operate successfully while in such a condition. The act listed thirteen companies and guaranteed aid to them

for reconstruction purposes to the total amount of $3,283,000. Of the companies so aided the East Tennessee and Georgia received $300,000; the East Tennessee and Virginia $250,000; the Knoxville and Kentucky $250,000; and the Rogersville and Jefferson $100,000.[7]

In December of the same year, an act amending that of January provided an additional $2,550,000 for building depots, buying engines and paying off indebtedness due the United States. Ten companies were included in this appropriation, six of which were in East Tennessee. The Knoxville and Kentucky and the Cincinnati, Cumberland Gap and Charleston were each awarded a loan of $500,000; the East Tennessee and Virginia and the Knoxville and Charleston, $300,000 each; the East Tennessee and Western North Carolina, $150,000; and the Atlantic, Tennessee and Ohio (Mineral Home) $100,000.[8]

Another such omnibus act was passed by the legislature on December 7, 1867, which likewise provided for reconstruction and new equipment. Bonds to the extent of $4,200,000 were made available to railroad companies of the state. Of the six benefactors listed above, five shared in this transaction to the extent of $1,300,000. The Knoxville and Kentucky received $800,000; the Cincinnati, Cumberland Gap and Charleston $200,000; the Knoxville and Charleston $150,000; the East Tennessee and Western North Carolina $100,000; and the East Tennessee and Virginia $50,000. Apparently the Atlantic,

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7. Acts, 1865-66, pp. 33-35.
8. Ibid., 1866-67 (Second Adjourned Session), pp. 11-12.

Tennessee and Ohio was unable to influence the legislature further, for that company did not receive any additional grant of aid from the state. This act provided certain safeguards in addition to those established by the general internal improvement acts, namely; that the companies so aided should accept state directors; and that the state should have the right to effect a sale of any railroad that defaulted in interest payment for two years.[9]

During the regular session of 1868-69, another omnibus bill, authorizing an even larger railroad appropriation was introduced in the legislature. Only the vigorous opposition of Comptroller W. G. Blackburn, who pointed out that the state's credit was already seriously impaired, prevented the bill from becoming a law. Every known device was employed for influencing the legislature to vote further appropriations to railroad companies.[10] M. D. Bearden, president of the Knoxville and Charleston, was authorized by his board of directors to use $10,000 (derived from the sale of state bonds) to secure further aid from the state. In the event that he was successful he was promised a substantial increase in salary.[11] Joseph A. Mabry, president of the Knoxville and Kentucky, bought thirty barrels of brandy with which to influ-

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9. Ibid., 1867-68, pp. 14-16.
10. S. J. Folmsbee, "The Radicals and the Railroads", in Hamer, op. cit., II, p. 668. This article is a most excellent and illuminating exposition of the irregularities connected with state aid in Tennessee.
11. "The Joint Committee Report on the State Debt", in House Journal Appendix, 1879, p. 67.

ence the legislature to pass the bill of 1868.[12]

In addition to the aid drawn for rehabilitation, the various railroad companies continued to draw heavily from the state for laying iron and building bridges on their respective lines. Consequently, the state debt continued to mount. From April, 1866, to December, 1868, the indebtedness of the state was increased $21,647,000, making a total of $42,055,000.[13] The post-war issues of bonds and state indorsement of railroad bonds amounted to approximately $15,000,000. Bonds drawn by East Tennessee railroad companies during that period amounted to $5,698,000.[14] During the Brownlow administration bonds of the state were issued in such large allotments that the governor was forced to relegate the gigantic task of signing them to a subordinate.[15]

Naturally, such generosity on the part of the state could not long continue. The heavy indebtedness of Tennessee was beginning to have a very patent influence upon the value of her bonds. Although the laws of 1854 and 1867 had specifically stated that bonds issued to railroad companies should not be sold for less than par, sale on such a condition was impossible. Hence, bonds were disposed of for what the markets would pay. During the Brownlow-Senter regime the

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12. Ibid.
13. Moore, op. cit., I, p. 542.
14. "Report of the Comptroller", in House Journal Appendix, 1879, pp. 158-173.
15. "The Joint Committee Report on the State Debt", in ibid., p. 134.

value of Tennessee bonds fluctuated somewhat between fifty-five and seventy-five cents on the dollar.[16] Speculation of railroad executives caused their negotiable value to drop still lower. In 1877 Tennessee bonds were quoted at forty-six cents.[17] Two years later old bonds were selling at thirty-five cents and new ones at thirty-three cents on the dollar.[18]

Following the war few railroad companies which had secured aid from the state made any serious attempt to pay the interest due the state on their bonded indebtedness. According to the internal improvement law of 1852, the governor was required to appoint receivers for companies that should default in interest payment. Prior to August, 1868, only six companies had been placed in the hands of receivers. Of these, only one, the relatively insignificant Rogersville and Jefferson, was located in East Tennessee.[19] Although Governor Brownlow in a message addressed to the railroad companies of the state in May, 1868 suggested that in the event the interest due in July were not paid he would appoint receivers to take over the defaulting companies,[20] six railroads, other than those in the hands of receivers, failed to pay that interest. Four of the defaulting companies of that date were

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16. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 77.
17. Knoxville Whig and Chronicle, Dec. 12, 1877. Referred to hereafter as Whig and Chronicle.
18. Ibid., May 28, 1879.
19. "Report of the Comptroller", in Senate Journal, 1868, (Special Session), pp. 66-69.
20. Acts, 1868 (Extra Session), pp. 11-12.

in East Tennessee, namely the East Tennessee and Georgia, the East Tennessee and Virginia, the Knoxville and Kentucky and the Cincinnati, Cumberland Gap and Charleston.[21] Despite the threat, no receivers were appointed at that time. In defense of this contradiction the governor pointed out in a later message that he had "learned by experience" that receivership only increased the burden of the state.[22] Receivers were not appointed with any regularity until a law was passed in October, 1869, which provided that presidents of the defaulting companies should be made receivers for their respective roads.[23] Since this action only made bad matters worse (the most chronic offenders - the East Tennessee railroad executives - were provided with lucrative positions at the expense of the state), the law was repealed by the General Assembly in December 1871.[24] The unsatisfactory condition resulting from receivership was made known by the report of Comptroller Blackburn given in October, 1867. He stated that:[25]

> The records in this office, however, do not show that Receivers are more successful than the regular officers of the Railroads, in collecting and paying into the Treasury - indeed less so; for from the roads now in the hands of Receivers, hardly a dollar has been received during the past fiscal year.

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21. "Report of the Comptroller", in Senate Journal, 1868 (Special Session), pp. 66-69. Payments were shortly made by the East Tennessee and Virginia and the East Tennessee and Georgia.
22. Senate Journal Appendix, 1868-69 (Third Session), pp. 4-5.
23. Acts, 1869-70, p. 4.
24. Ibid., 1871, p. 40.
25. House Journal Appendix, 1867-68, p. 45.

Meanwhile, in an effort to protect the interest of the state the governor, in March, 1867, had been empowered by the legislature to appoint directors to represent the state in all companies securing aid from the state.[26] The omnibus act of December 7, of that year carried the same provision.[27] In February, 1868 the number of state directors was increased to equal the number representing the railroad company. That act also increased and stipulated the duties of the state directors, but it made the mistake of abolishing the office of Road Commissioner and turning part of his duties over to the incompetent Board of Finance.[28] From the outset, however, the state directors failed to represent the interest of the state.

By 1869 the conservatives of the state who had been disfranchised since the war had returned to power. This new legislature of that year took definite steps to put an end to the excessive expenditures of the Brownlow-Senter regime. Finding the state on the threshold of bankruptcy that body in December passed a bill repealing all laws granting state aid for internal improvement.[29] Under the auspices of the conservatives a new constitution was drawn up early in 1870. One provision of that document expressly prohibits the state from extending its credit to, or owning any corporation or company.[30]

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26. Acts, 1867-68, p. 143.
27. Ibid., 1866-67 (Second Adjourned Session), pp. 14-16.
28. Ibid., 1867-68, pp. 58-60.
29. Ibid., 1869-70, p. 39.
30. Constitution of Tennessee, Art. II, Sec. 31.

In an effort to liquidate the railroad debt the legislature had passed a bill in February, 1869, which permitted all railroad companies indebted to the state to pay off their principal indebtedness to the state in depreciated bonds.[31] This act was supplemented by an amendatory act passed in January, 1870, which authorized railroad companies to apply any legally issued bonds of Tennessee issued to any railroad to be applied at par in payment of principal on indebtedness due the state.[32] This act enabled the more solvent companies to discharge their obligations at a great advantage, but it left the state holding the bonds issued to companies which had since become insolvent. After having appointed a joint select committee[33] to investigate the affairs of the delinquent railroads the legislature took a recess to await the investigation.

The investigating committees having completed their work the legislature re-convened to hear their report. The committees revealed that the restrictions laid down by the internal improvement law of 1852, which applied to all other appropriation acts, were almost totally ignored or wilfully violated by practically all railroad companies securing aid from the state. Further, it was shown that officials had used funds derived from the sale of state bonds to enrich

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31. Acts, 1868-69, pp. 50-51.
32. Ibid., 1869-70, pp. 61-63.
33. Acts, 1869-70, p. 676.

themselves and to bribe legislators to vote additional appropriations to railroad companies. Being fortified with this information and authority to sell the roads of companies that should default in interest payment for two years by the omnibus appropriation act of December 7, 1867,[34] the legislature passed an act on July 1, 1870, which authorized the sale and transfer of the interests of the state in all defaulting railroad companies. This act also named commissioners who were to effect the sale of the bankrupt companies.[35] Due to legal questions that arose, however, no roads were sold by the commissioners[36] until the General Assembly on December 21, 1870, invested the Chancery Court at Nashville with jurisdiction to handle all matters that might arise from the sale.[37] One further act, passed November 16, 1871, gave the commissioners power to make and carry into full effect, on the part of the state, any settlement or adjustment "with parties litigant adversely to the State that to them may seem equitable between the parties and advantageous to the State".[38]

Early in March, 1871, the suit against defaulting railroad companies was instituted in the Chancery Court at Nashville.[39] Through the aid of that court the commissioners of

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34. Acts, 1867-68, pp. 14-16.
35. Ibid., 1870, pp. 126-128.
36. "Report of the Commissioners Appointed to Sell the State's Interest in Delinquent Railroads", in Senate Appendix, 1870-71, pp. 997-1002.
37. Acts, 1870-71, p. 25.
38. Ibid., 1871, p. 35.
39. Knoxville Chronicle, March 9, 1871.

the state sold thirteen railroads that were so hopelessly in financial difficulties as to make recovery impossible otherwise. From the sale of these roads the state derived $6,698,000 in depreciated bonds and coupons.[40] The Knoxville and Kentucky was sold for $350,000, the Cincinnati, Cumberland Gap and Charleston for $300,000, the Knoxville and Charleston for $75,000, the East Tennessee and Western North Carolina for $20,000, and the Rogersville and Jefferson for $10,000.

If the state of Tennessee embarked on a reckless policy of state aid for railroad companies during the reconstruction period, she was not alone in the venture. North Carolina and South Carolina, as well as other southern states, were equally involved. In the two Carolinas fraud was in greater evidence than in Tennessee and contributed directly to the failure of railroad enterprises in East Tennessee designed to connect with roads from those states.[41] Without generous aid from the various states, however, the South would have required a much longer period of time to readjust itself to the new conditions than was actually the case.

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40. "The Joint Committee Report on the State Debt", in House Journal Appendix, 1879, p. 8.
41. C. K. Brown, A State Movement in Railroad Development (North Carolina), pp. 148-187; F. B. Simkins and R. H. Woody, South Carolina During Reconstruction, pp. 186-223.

PART I

THE KNOXVILLE AND CHARLESTON RAILROAD
(Ultimately the Knoxville and Augusta Railroad)

CHAPTER I

Knoxville to Maryville

Despite the failure of the Louisville, Cincinnati and Charleston project of the 1830's, the dream of railroad connection between Charleston and Cincinnati continued as a stimulating force; and a second effort was made to realize this dream during the decade immediately preceding the Civil War, and was resumed during the post-war period. The Knoxville and Charleston Railroad Company of Tennessee was conceived as one of the connecting links of this expansive project. As was the case with the earlier attempt, leadership, at least as far as the part of the enterprise south of Kentucky was concerned, was again assumed by the people of South Carolina, who were actuated this time by jealousy of the citizens of Georgia. In the race for the control of western trade, Savannah was threatening to outdistance Charleston; and this Carolina seaport, dependent upon her connections with the Georgia system of roads, and subjected to ruinous discrimination, was in danger of lapsing into obscurity.[1]

Aroused by this danger, the South Carolinians made another attempt to pierce the Blue Ridge Mountains with a

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1. Phillips, op. cit., pp. 207-208, 241-242; William Way, Jr., The Clinchfield Railroad, p. 39.

railroad. Surveys were conducted in 1851, which resulted in the selection of a route that began at Aiken, South Carolina, on the Charleston to Hamburg line, passed through Anderson and Clayton, to and through Rabun Gap in northeastern Georgia, followed the Little Tennessee through the "pan-handle" of North Carolina, descended that river for some distance into Tennessee and terminated at Knoxville. The proposed route was 195 miles in length, and passed through South Carolina for a distance of 52 miles; Georgia, 16 miles; North Carolina, 73 miles; and Tennessee 53 miles.[2]

Instead of one company being chartered for the whole project, the several states along the proposed line granted charters to individual corporations. In 1851 the Tennessee River Railroad Company was incorporated in North Carolina. During 1852 two separate corporations each bearing the name of Blue Ridge Railroad Company were chartered in South Carolina and Georgia.[3] In the same year an act of the Tennessee legislature supplied the remaining link by granting charter rights to the Knoxville and Charleston Railroad Company.[4]

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2. Phillips, op. cit., p. 376; Way, op. cit., pp. 38-39.
3. J. W. Holland, A History of Railroad Enterprise in East Tennessee, 1836-1860, p. 210. Further references to Holland will be to this source.
4. Acts, 1851-52, pp. 385-386. The same act also incorporated the Lexington and Knoxville Railroad Company which was designed to connect with the terminus of a system of roads incorporated in Kentucky (1849-51) which were to span that state from Covington to the Tennessee line. Thus the whole Cincinnati to Charleston project was revived.

The charter of the last named company authorized the incorporators to construct a railroad from Knoxville to the North Carolina line. At that point the road was to form a connection with the proposed chain of roads to the south of Tennessee. The legislature also empowered the incorporators to transfer their charter rights to similar corporations in North Carolina or South Carolina.[5]

Although the various corporations were more or less restricted to their respective states, they all had a common interest and purpose. Because of these facts the companies to the south of Tennessee entered into an unofficial federation known as the Rabun Gap Railroad, though the name "Blue Ridge" often embraced the federated system. General supervision of construction was turned over to the federation, which was really the Blue Ridge of South Carolina exercising inter-state control. The interest and energy demonstrated by the South Carolinians merited the confidence placed in them.[6]

At the outset the Knoxville and Charleston seems to have been regarded with little interest. Not until the Rabun Gap gave promise of united action was the Knoxville and Charleston organized in June 1853.[7] Immediately following organization the president, W. G. Swan, was instructed to visit Charles-

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5. Ibid.
6. Holland, op. cit., pp. 279-281.
7. Brownlow's Knoxville Whig, July 2, 1853. Referred to hereafter as Whig.

ton and effect an entrance to the federation on the most favorable terms possible.[8] On returning to Knoxville Swan made a verbal report of his achievements. Not only had he obtained entrance into the federation but he had also secured the inclusion of the Knoxville and Charleston in a blanket contract for the construction of the whole system of roads.[9]

This fusion of interests with the Rabun Gap, however, was accomplished by means of a rather shady transaction. A few friends of the Knoxville and Charleston made a joint subscription of $120,000 and used a bogus check to create the impression that the initial payments on this stock had been made. Although it was expected that the company would be completely absorbed by the Blue Ridge, Swan had arranged to have his company retain its identify. Brownlow charged Swan of making such an arrangement in order to retain his position as president of the Knoxville and Charleston and collect a lucrative salary.[10] Although Swan drew an annual salary of $3,500 for his nominal office during his incumbency (1853-1856), his successor, William Wallace, accepted the position for $600.[11]

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8. Ibid., July 19, 1856.
9. Ibid. Under the leadership of Kingston a rival project, the South Carolina, Tennessee and Kentucky Railroad Company, came into being for the sole purpose of gaining admission to the Rabun Gap federation. Failing in this, the project was soon forgotten.
10. Ibid.
11. Ibid., Oct. 29, 1859.

In the fall of 1853 the Rabun Gap made a blanket contract with Anson Bangs and Company for constructing the entire road. Bangs and Company were to be paid monthly, one-half in cash, one-fourth in stock and one-fourth in the company's unguaranteed bonds.[12] In order that the charter of the Knoxville and Charleston might be saved, one mile (from the depot in Knoxville to the Tennessee River) was put under construction in 1855.[13] During July, 1856 Walter Gwynn, chief engineer of the Blue Ridge (Rabun Gap), was in Knoxville to award contracts for thirty miles on the Knoxville and Charleston. Due to the fact that the bond issue promised by Blount County had been tied up by litigation, contracts were let for only sixteen miles of the road.[14] Considerable grading was done on the sixteen mile section between Knoxville and Maryville before financial difficulties of the Rabun Gap caused work to be suspended in January, 1857.[15] No further work was done on the Knoxville and Charleston until after the war, although the grading and masonry done was estimated to be worth $242,000.[16] Insufficient work had been done, however, to entitle the company to draw aid from the state of Tennessee.

At this point it may be well to consider the financial status of the Knoxville and Charleston. The most serious

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12. Phillips, op. cit., pp. 377-378.
13. Whig, June 23, 1855; Nov. 17, 1855.
14. Holland, op. cit., p. 295.
15. Ibid., p. 279.
16. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 33.

handicap to the success of the undertaking was the fact that very little effort was made to secure individual subscriptions to stock, the sponsors of the project depending almost exclusively upon county and state aid and upon such support as they might obtain from the Blue Ridge company. The amount of private subscription is not known, but it is certain that the amount paid in on individual stock was only $2,873. Knox and Blount counties subscribed $100,000 and $120,000 respectively, but only $84,300 of this was paid in prior to the war. In view of the fact that these bonds were not negotiable at par, it seems that the company had an actual working capital of its own of something less than $75,000.[17]

To this amount the Blue Ridge company undoubtedly contributed considerable additional funds. Although the Joint Select Committee which investigated the affairs of the Knoxville and Charleston in 1870 found that the Blue Ridge Railroad Company of South Carolina had "subscribed" $250,000, it failed to find that $360,000 from some source had been advanced to the Knoxville and Charleston, and that a mortgage on the road for that amount had been executed in 1854.[18] It seems certain that this $360,000 was advanced by the Blue Ridge company from the proceeds of its bonds indorsed by the state of South Carolina. At least, the Blue Ridge company

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17. Ibid.
18. Ibid.; Letter from Wm. Henry Luscot of the Blue Ridge to the Commissioners for the Sale of Delinquent Railroads, dated Sept. 19, 1871, in Tennessee State Archives.

in its annual report for 1855, stated that one of the conditions of the state indorsement was the execution of a mortgage upon the properties of all the companies included in the federation. It declared, however, that the mortgage upon the Knoxville and Charleston was not to be considered to be prior to the mortgage to be held by the state of Tennessee under the state aid law of 1852.[19]

Financial support of the Blue Ridge was in greater evidence. The city of Charleston subscribed $1,049,000 to be used for construction in South Carolina and Georgia. Through the influence of that city, the legislature of South Carolina was induced to subscribe $1,000,000 and to indorse $1,000,000 of the company's bonds. Other resources which were purely speculative swelled this amount considerably.[20] Apparently little, if any, funds were secured in North Carolina and Georgia.

Although Bangs and his associate contractors had agreed to accept one-fourth of their contract in stock, Anson Bangs and his brother withdrew from the company after doing about $700,000 worth of work on the Blue Ridge. Shortly thereafter Bangs' associates were dismissed for incompetency.[21] In 1856 contracts for various types of work were let to a number of contracting firms. Work was exceedingly slow and expen-

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19. Whig, Nov. 17, 1855; July 19, 1856.
20. Phillips, op. cit., p. 377; F. B. Simkins and R. H. Woody, South Carolina During Reconstruction, pp. 208-209; Whig, Nov. 17, 1855.
21. Phillips, op. cit., pp. 377-378; Simkins and Woody, op. cit., p. 209.

sive due to the natural obstacles encountered. Although work was practically stopped by financial difficulties in 1858, track laying continued until Walhalla was reached in 1861. Beyond that town Stump House Mountain with a tunnel 5,800 feet long two-thirds completed blocked further progress. Although more than $2,500,000 had been spent in South Carolina and Georgia, only twenty-five miles of track were laid, connecting Walhalla with Anderson, at which place a junction was formed with a branch of the Greenville and Columbia Railroad.[22] Although the Blue Ridge was revived after the war, no further construction was undertaken on that part of the line; nor did that company exercise any control over the post-war activities of the Knoxville and Charleston.

During the war the books of the Knoxville and Charleston were lost, which fact accounts, in a large measure, for the ignorance of the pre-war financial status of the company. What funds there were in the treasury, if any, likewise disappeared.[23] Due partly to the war and partly to the paralysis of the Blue Ridge company, interest in the Knoxville and Charleston had almost completely subsided.

Although the revival of the Blue Ridge company in 1866 created some interest in the Tennessee company, by far the greatest stimulating force was the promise of aid from the state of Tennessee. An act passed by the legislature in

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22. Way, op. cit., pp. 39-41; Phillips, op. cit., pp. 379-380; Simkins and Woody, op. cit., p. 209.
23. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 33.

April, 1866 authorized the Knoxville and Charleston to reorganize and receive subscriptions from municipalities.[24] The company was also granted $300,000 by the omnibus appropriation bill for rehabilitation, passed in December, 1866.[25] With this encouragement, the president of the company, Judge C. W. Jones, began energetically to reconstruct and extend the road.

During 1867 construction moved along slowly. The bridge across the Tennessee River (called the Holston at that time) at Knoxville was completed during the winter. With the coming of spring the work was speeded up somewhat. An engine and cars had been bought and grading was completed to Maryville by April, 1868.[26] During the latter part of March or the early part of April a contract was let to Salupaw and Davenport for the laying of the track between Knoxville and Maryville.[27] On Aug. 4, 1868 the Knoxville Press and Herald was able to report:[28] "The cars on the Knoxville and Charleston Railroad ran into Maryville yesterday. Judge Jones, president of the company, took the grand jury over to Maryville on an excursion."

Further progress was prevented by financial difficulties into which the company had become involved. When re-

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24. Acts, 1865-66, p. 220. No such aid was received, however.
25. Ibid., 1866-67 (Second Adjourned Session).
26. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 8.
27. Knoxville Press and Herald, March 19, 1868, in Nashville Union and Dispatch, May 2, 1868.
28. Press and Herald, Aug. 4, 1868, in Union and Dispatch, Aug. 16, 1868.

organization occurred after the Civil War there were apparently no funds in the treasury. The post-war activities were supported almost entirely by the state of Tennessee. In addition to the $300,000 loan awarded the company in 1866, the appropriation act of December 7, 1867 provided $150,000.[29] To this was added $160,000 for ironing the road and $100,000 for bridging the Tennessee, making a total of $710,000 in state bonds drawn in ten allotments during 1867 and 1868.[30] This amount is represented to have been disposed of as follows:[31]

$304,943.35	in	bonds	to contractors
28,000.00	"	"	for real estate
205,351.50	"	"	" iron, chairs, spikes and freight
30,504.41	"	"	" engines, etc.
31,033.98	"	"	" interest on state bonds
110,166.76	"	"	lost by C. Powell, Green and Co.

The Knoxville and Charleston having defaulted in interest payment in 1869, Governor Senter appointed M. D. Bearden, who had been president of the company since 1868, as receiver for the road. Default resulted in investigation which revealed to the legislature a number of irregularities connected with the Knoxville and Charleston.[32]

The post-war history of this company was a typical ex-

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29. Acts, 1867-68, pp. 14-16.
30. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 10.
31. Ibid., p. 5.
32. Ibid., pp. 3-11.

ample of the abuse of the state aid system during the Brownlow regime. In the first place, the issuance of the bonds was made in complete disregard of the restrictions imposed both by the general internal improvement laws of 1852 and 1854, and those granting additional aid during the post-war period. The most important restriction of the law of 1852 required that any railroad company securing aid from the state should have good and solvent stock subscribed sufficient to grade the whole line in Tennessee. $220,000 was subscribed and paid in to the Knoxville and Charleston by counties, but the private subscriptions, however much they may have been, were so "insolvent" that only $2,873 was paid in to the company. These figures make a brazen contrast to the $710,000 advanced to the Knoxville and Charleston by the state. Furthermore, as pointed out above, the properties of the company had been mortgaged before aid was obtained from the state, which fact was not made known to the state officials. Laxity on the part of the chief executive of the state also made bonds more easily obtained than would otherwise have been the case. In one instance Governor Brownlow issued $25,000 bridge aid to the Knoxville and Charleston on a certificate which was not sworn to by officials of the company. In another the "Parson" actually issued the affidavit showing that the same company was entitled to $60,000 for

ironing a portion of the road.[33] Finally, it would be an injustice to the governor to assume that he was uninformed of the negotiable value of Tennessee bonds.

Having obtained bonds of the state, railroad executives proceeded to misuse them. In due violation of the law of 1854, the bonds issued to the Knoxville and Charleston were converted into cash at prices ranging from sixty-two to sixty-seven cents on the dollar, and more than $30,000 derived from state bonds were applied to interest payments to the state. The investigators revealed further that after Bearden was made receiver for the road he continued to hold the funds of the company in his hands as president and not as receiver. When asked by the investigating committee whether he had used funds of his company or whether he knew of other railroad executives using funds of their companies in an effort to obtain further aid, Bearden responded as follows: "As far as the question applies to myself, I do not regard it legitimate, and as to others, I know nothing."[34] Investigations conducted by the legislature in 1879 confirmed the above implication. A friend of Bearden's, on oath, stated that Bearden had told him that he (Bearden) had given a member of the legislature $500 to vote for a certain bill, and that the legislator voted against the bill; whereupon a threat by Bearden of an impending burial caused the money to be re-

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33. Ibid.
34. Ibid.

turned.[35] More substantial proof of the implication is given in an earlier chapter.

In addition to the various irregularities discovered by the investigation committee of 1870, it was shown that the Knoxville and Charleston was operated at a deficit, and that the total valuation of its properties was less than the indebtedness due the state. In concluding its report the committee recommended that the state take some steps to relieve itself of the unprofitable road.[36]

Consequently the Knoxville and Charleston railroad was included in the group of bankrupt roads offered for sale by the commissioners for the state early in 1871.[37] Those commissioners had fixed the sum of $309,000 in state bonds as the minimum price for which the road might be bought.[38]

On March 6, when the road was offered for sale, officials of the company were on hand and entered into negotiations for a settlement with the state.[39] A temporary agreement was made, whereby the officers of the Knoxville and Charleston could, by paying $300,000 in state bonds, satisfy all claims held by the state against that company. Although ninety days were allowed within which to pay one-fourth of this sum as

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35. "Report of the Joint Committee on the State Debt", in House Journal Appendix, 1870, p. 67.
36. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, pp. 9-11.
37. Harrison, op. cit., p. 939.
38. "Report of the Commissioners in Relation to Delinquent Railroads", in House Journal Appendix, Oct. 2, Dec. 16, 1871, pp. 120-125.
39. Chronicle, March 9, 1871.

an initial payment,[40] the first payment was not made within this time; hence, the road was again offered for sale in July.[41] When bids were opened it was found that the best offer made was that of the Blue Ridge Railroad Company for $75,000. Sale was denied, however, on the grounds that the company was a foreign corporation.[42] When bids were opened again two weeks later, the Blue Ridge company, notwithstanding its first rebuff, had increased its bid to $100,000, which was again rejected.[43]

Although there was no law which prohibited a corporation of another state from owning railroads within Tennessee, there was considerable opposition to foreign control which might discriminate against Tennesseans. In explaining the reason for their low bid, the officials of the Blue Ridge stated that they would be liable for the prior mortgate lien on the road executed in 1854 for $360,000.[44]

Subsequent attempts to sell the Knoxville and Charleston likewise proved disappointing. On March 20, 1872, the road was sold to T. J. Steers for $105,000; but no payment was made and the state again found itself in the possession of the "white elephant".[45] In April, 1873 another unsuccessful

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40. Ibid., March 10, 1871.
41. Harrison, op. cit., p. 936.
42. Ibid.
43. "Report of the Commissioners in Relation to Delinquent Railroads", in House Journal Appendix, Oct. 2,-Dec. 16, 1871, pp. 120-125.
44. Letter from Wm. Henry Luscot of the Blue Ridge Railroad to the Commissioners for the Sale of Delinquent Railroads, dated Sept. 19, 1871, in Tennessee State Archives.
45. Harrison, op. cit., p. 937.

attempt was made to dispose of the road. A number of prospective buyers assembled in the court house at Knoxville on the day set for the sale. When the officiating judge stated the conditions of the sale and offered $100,000 for the road on behalf of the state, no further bid was made.[46]

During the early part of 1874 negotiations were entered into by Messrs. Jere Cowles, of Macon, Thomas Ritchie and Allan Hay of New York, and M. G. Edson of Montreal to lease the road. Details were settled and the lessees assumed control of the road on June 1, and were to operate it for two years for the consideration of $1,000 per year.[47]

Sometime during the winter of 1874-75 the bridge across Little River was washed out and the lessees suspended operation of the road. At a public meeting held in Maryville on April 6, 1875, a committee was appointed to confer with authorities of the state relative to resumption of operation of the line. The state proposed to sell the road for $75,000.[48] On April 10, Messrs. Thomas O'Connar, W. H. Cherry and Wm. Morrow bought the road at that figure.[49] The road was sold with the tacit understanding that operation should immediately be resumed. Although no permanent title was secured at that time, the purchasers began work

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46. Chronicle, April 9, 1873.
47. Maryville Republican, May 2, 1874.
48. Knoxville Whig and Chronicle, April 14, 1875.
49. Harrison, op. cit., p. 937.

with vigor. Orders were given for the erection of a temporary trestle across Little River so that operation might be resumed without delay. In the summer a permanent bridge was to be built, and plans called for the grading of the line from Maryville to the Little Tennessee River.[50] Whether the bridge was built when planned has not been ascertained. It is certain, however, that the grading project was not undertaken.

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50. Knoxville Press and Herald, in Chattanooga Commercial, May 27, 1875.

CHAPTER II

Failure to Progress Toward the South

When the Knoxville and Charleston was completed to Maryville in 1868, there was much clamor for extension to the south. Activities in Cincinnati pertaining to her proposed road to the south during 1868 likewise stimulated interest in completion of the line. Although there were several advantages to be derived from the completion of the line, there were, nevertheless, great obstacles destined to prevent consummation of the original plans.

Among the advantages that would result from the completion of the system of roads to Charleston, three were outstanding: (1) Knoxville would have a much more direct connection with the south Atlantic seaboard; (2) the Knoxville and Kentucky and the Lebanon Branch of the Louisville and Nashville would be incited to greater activity which would possibly secure direct communication with Louisville by the conjunction of those two lines; and (3) Cincinnati would be more disposed to choose Knoxville as the southern terminus of her proposed municipal road.

Despite the above advantages, there were certain major obstacles that caused the ultimate failure of the desired

connection with Charleston. (1) The line of road was to traverse parts of four states, all of which did not show the desired interest and cooperation; (2) the route passed through rough mountainous districts, difficult of construction and devoid of local traffic; (3) finally, the various states concerned, being heavily laden with taxes, had their retrenchment programs well under way before anything definite was done about completing the system of roads.

For a while it seemed that these adverse circumstances would be overcome. In the late spring of 1869, a railroad convention was held in Cincinnati for the purpose of determining the southern terminus of a road which that city determined to build. Delegations representing the Knoxville and Kentucky, the Knoxville and Charleston, and the Blue Ridge railroads attended the convention and presented a united front in advocacy of the selection of Knoxville as the terminal point of the Cincinnati road. This cooperation, added to the possibility of a connection with Cincinnati created general interest in the Rabun Gap project.

On his way to attend the convention in Cincinnati, General J. W. Harrison, president of the Blue Ridge, stopped in Knoxville for a few days. While in that city he held several conferences with officials of the Knoxville and Charleston and the Knoxville and Kentucky, endeavoring to infuse sufficient energy into those enterprises to insure the early com-

pletion of the two lines. Before leaving the city he inspected the completed portion of the Knoxville and Charleston and pronounced it in excellent condition.[1]

Despite the fact that Cincinnati chose Chattanooga as the southern terminus of her road, all hope for a direct connection with Cincinnati was not abandoned. Particularly encouraging was the fact that the state of South Carolina had indorsed $4,000,000 of the Blue Ridge bonds during the year 1868. This had led to the awarding of a contract for the completion of the road from Walhalla to Maryville in 1869. Notwithstanding these apparently favorable prospects for the completion of the road, the bonds of the company were used for speculation, fraud, and private gain and the Blue Ridge was forced into bankruptcy in 1875, although the work done on the road was almost inconsiderable.[2]

Meanwhile, the Cincinnati convention and the revival of interest in South Carolina had stimulated interest in northeastern Georgia. Athens was disappointed by the developments of the Georgia Railroad Company, which had built only a branch line to that town. Largely through the instrumentality of Athens and Augusta the Georgia Railroad made some pretence of extending its Athens Branch to Knoxville. A less ambitious plan was adopted, however, which would extend the Athens Branch to Clayton, there to intersect the Blue Ridge.[3] It was

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1. Knoxville Whig, May 13, 1869. Referred to hereafter as the Whig.
2. Simkins and Woody, op. cit., pp. 211-221.
3. Phillips, op. cit., pp. 221-251; Whig, May 14, 1869; Augusta Constitutionalist, in Whig, Sept. 28, 1869.

estimated that by completing the contemplated system of roads the West would be brought one hundred miles nearer to eastern Georgia and the seaboard than was then possible over existing roads.[4] Failure of the Blue Ridge to build beyond Walhalla caused interest in the Athens to Clayton line to subside somewhat.

While unsuccessful attempts were being made in South Carolina and Georgia to reach Knoxville by rail, the Knoxville and Charleston continued its precarious career under ever changing managements. Not until 1875, when the road was finally sold, was there any possibility of its being extended beyond Maryville. The owners showed a desire to effect a connection with the Blue Ridge, or any road, at the state line but had not the means of doing so. Nor did the Blue Ridge again show any considerable interest in the proposed system of roads. Thus interest in the whole through-line declined considerably. During the next two or three years conventions were resorted to with little success other than to draw from Major O'Conner and his associate owners of the road various suggestions as to what means could be adopted for the extension of the line.

In the early autumn of 1875 a convention was held at Murphy, North Carolina, at which about three thousand persons were present. At that meeting, William G. McAdoo, who had formerly lived in Knoxville and at that time was living in

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4. Macon Telegraph, Jan. 4, 1870, in Whig, Feb. 6, 1870.

Clayton, Georgia, was the outstanding advocate of the Knoxville to Augusta connection.[5] It is possible that there were two reasons for holding the convention at Murphy. That town was approximately half way between the two points of interest; and, more important, it was located in North Carolina, the state that had been the least interested in the proposed system of roads. Aside from the enormous number of persons who assembled at Murphy the convention was comparatively insignificant. A possible reflection of the Murphy convention, however, is seen in the subsequent action of the owners of the Knoxville and Charleston.

At a meeting of the Knoxville Board of Trade held in November, 1875, an ardent railroad man stated conditions under which Major Thomas O'Conner, the chief proprietor of the company was willing to finish the road on a narrow gauge scale.[6] This plan as well as other essential data are borne out in the following news item:[7]

> The movement to revive this great work is attracting general attention. Knoxville is on the alert, and a convention will be held in that city on the 20th of next month to consider a proposition made by the owners of the railroad to Maryville. The completion of the Cincinnati Southern road will leave a gap of only one hundred and thirty-four miles between that city and Clayton, Georgia, which is south of Rabun Gap, and the point from which lines are expected to radiate throughout Georgia and South Carolina.... The proposition before the Knoxville Board of Trade from the Maryville road is, to build a narrow gauge road to Walhalla if the city of Knoxville will agree to pay them $500,000 as soon as the road is completed. Walhalla

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5. Whig and Chronicle, Sept. 8, 1875.
6. Ibid., Nov. 24, 1875.
7. Charleston News and Courier, in Knoxville Ages, Dec.15,1875.

> is twenty-two miles from Clayton and the gap between the two points must be filled in order to tap the railroad system of South Carolina. A committee has been appointed to confer with the makers of the proposition, and the result will be communicated to the meeting to be held in January.

Plans of the owners were to change the gauge on the line to Maryville and from that point to Walhalla, to construct the line on the narrow gauge plan. From the latter town to Charleston an additional rail was to be laid. It was estimated that the cost of construction and equipment for the unfinished portion of the line would not exceed $12,000 per mile.[8]

At the convention held in Knoxville in January there were about seventy-five delegates present, chiefly from Knox and Blount counties, although North Carolina, South Carolina and Georgia were represented. Robert Thompson of South Carolina was elected president and W. G. McAdoo of Georgia and Dr. B. B. Lenoir of Tennessee were vice presidents. The editors of the Knoxville and Maryville newspapers were chosen as secretaries.[9] During the two days the sessions were in progress many reports were made, letters were read, resolutions were adopted and committees were appointed.[10] Although the assembled railroad enthusiasts were probably hampered by the absence of the proprietors of the Knoxville and Charleston, Major O'Conner and his chief asso-

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8. Chattanooga Times, in Whig and Chronicle, Dec. 15, 1875.
9. Whig and Chronicle, Jan. 26, 1876.
10. Ibid.

ciate, Dr. William Morrow, the meeting may well be called a success. In a letter to the convention, Dr. Morrow expressed regrets that neither he nor Major O'Conner could be present, but he assured the assemblage that bothwere enthusiastic over the possibility of completing the road. He stated also that consolidation of the interests was desirable, and made it clear that the incorporators needed financial assistance.[11] The business of the convention being finished, the meeting adjourned to meet again in Anderson, South Carolina, on March 30.[12]

At the Anderson convention, Colonel J. W. Gaut of Knoxville was called to the chair. Perfect harmony among the delegates prevailed and intense interest in the completion of the line from Charleston to Knoxville was in evidence.[13] The Tennessee delegates seemed ready to assure the completion of the Knoxville and Charleston if only they might be met at the state line. The North Carolina delegates were likewise enthusiastic, for a new company had been organized in that state to build their section of the road.[14] After two days of enthusiastic discussion the Anderson convention adjourned, plans having been made for another rally to be held at Charleston early in June.[15] At last it seemed that the long dreamed of through line would become an actuality.

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11. Maryville Independent, Jan. 26, 1876.
12. Whig and Chronicle, Jan. 26, 1876.
13. Ibid., April 5, 1876.
14. Atlanta Constitution, in Whig and Chronicle, April 12,1876.
15. Whig and Chronicle, April 12, 1876.

Such was not the case, however. Although a spirited gathering assembled at the South Carolina metropolis, the meetings were a disappointment. The Charlestonians who had from the beginning been ardent supporters of the trans-mountain railroad movement now manifested little interest in the project. The reason for this was two-fold: taxes were exceedingly oppressive; and the Blue Ridge company was bankrupt.[16] Moreover, it was revealed to the convention that the North Carolina company was making no attempt to build the portion of the road within that state.[17] The apparent failure of the Charleston convention sounded the death knell of the Knoxville to Charleston idea. After this time the name of Charleston was no longer associated with the line; the name Augusta was substituted, although not until a later date was the name Knoxville and Augusta officially adopted.

One other noteworthy attempt was made to extend the Knoxville and Charleston to the state line. In the spring of 1877, at a Board of Trade meeting, in Knoxville a special committee reported that the city of Knoxville was ready to subscribe $5,000 per mile on the unfinished portion of the line in Tennessee when assured that Georgia and North Carolina would meet her at the state line.[18] Action following this meeting was of no consequence for, after that date, references to the road in question are very scarce.

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16. Ibid., June 7, 1876.
17. Ibid.
18. Ibid., May 7, 1877.

On November 14, 1878, the owners of the Knoxville and Charleston, in pursuance of an "Act to provide for the organization of corporations" passed March 19, 1875,[19] proceeded to reorganize under the title of "Knoxville and Augusta Railroad Company".[20] Shortly after this the roads fostered by the Rabun Gap were secured by the Richmond Terminal Company, the forerunner of the Southern Railway Company.[21] Suffice it to say in conclusion that the one train on the Knoxville and Augusta was destined to continue its regular journeys of sixteen miles for many years. Both names under which the road was operated were misnomers, for the road never emerged from Blount County, Tennessee.

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19. Acts, 1875, p.232.
20. Harrison, op. cit., p. 938.
21. Ibid.

PART XI

THE KNOXVILLE AND KENTUCKY RAILROAD

CHAPTER I

The Beginning of the Knoxville and Kentucky Railroad

The revived interest in the Louisville, Cincinnati and Charleston Railroad was by no means restricted to the confederated members of the Rabun Gap Railroad. Contemporary railroad enterprises came into being in Kentucky and in the portion of Tennessee to the north of Knoxville, which, if constructed, would effect a connection by rail between the Ohio and Tennessee rivers. Thus the Knoxville and Kentucky, which became a part of the proposed system of roads, like the Knoxville and Charleston, had its chief inspiration from without the state, and was included in the revived dream of the Louisville, Cincinnati and Charleston connection.

In 1849, the state of Kentucky granted a charter to the Covington and Lexington Railroad Company. The incorporators of this company proposed to build a railroad from Covington, on the south bank of the Ohio, opposite Cincinnati, to Lexington. This road was pushed forward until completed in 1854.[1] To extend the communication farther south, the Lexington and Danville was incorporated in

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1. E. M. Coulter, The Cincinnati Southern Railroad and the Struggle for Southern Commerce, 1865-1872, p. 21.

1850. The charter of this company was subsequently amended (1851) so that the proposed line might be extended beyond Danville to the Tennessee state line, there to connect with any road that might move forward in that direction from Tennessee. Prior to the war, however, only thirteen miles of this road were completed, connecting Lexington (and Covington) with Nicholasville.[2]

In response to these activities on the part of the Kentuckians, East Tennesseans took steps toward constructing a railroad that would connect with the Kentucky roads. Such a road would be highly advantageous. In addition to forming a link in a chain designed to connect the Ohio with the Atlantic, a road from Knoxville to the Kentucky line would open up the rich coal fields of Anderson and Campbell counties. Knoxville and other growing southern cities would thereby be supplied with a much needed source of cheap coal.

The above inducements were sufficient to secure the formation of a corporation that would undertake to build the desired road. The Knoxville and Kentucky began its existence in 1852, under the style of "Lexington and Knoxville Railroad". The company so chartered was empowered to establish railroad communication between the cities of Knoxville and Lexington; or to effect a connection with

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2. Harrison, op. cit., pp. 861-862.

any city or point in Kentucky nearer Knoxville, provided that such a terminus had direct railroad connection with Lexington. Included in the law was a provision for state aid.[3]

Kentucky failed to grant a charter to this interstate enterprise due to the existence of the amended charter of the Lexington and Danville. Hence, the Tennesseans, not to be outdone, had their charter changed by an amendatory act of the legislature in December of the same year. The activities of the company were restricted to Tennessee, and the name "Knoxville and Kentucky" was adopted.[4]

Although few, if any, railroads of the state offered greater possibilities than did the Knoxville and Kentucky, the incorporators of that road did not begin seriously to consider the task before them until 1856. In order to keep the project alive, the General Assembly in that year extended the time two years within which work was to begin, and provided, by way of further inducement, that the Knoxville and Kentucky would be forever immune from taxation.[5] Possibly the success of the East Tennessee and Georgia and the East Tennessee and Virginia also helped to incite activity.

Financial support necessarily preceded construction.

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3. Acts, 1851-52, pp. 385-386.
4. Ibid., 1853-54, p. 762.
5. Ibid., 1855-56, p. 434.

Funds for financing the Knoxville and Kentucky during its ante-bellum existence were secured from various sources. One of these was the city of Knoxville, which had much to gain from the construction of the proposed road. That city voted bonds on two occasions, totaling $100,000, for the benefit of the Knoxville and Kentucky. The second issue had been intended to establish a municipal water system, but instead of using the bonds for that purpose the city showed its interest in the proposed railroad by investing that sum ($50,000) in stock of the Knoxville and Kentucky.[6] Total subscriptions prior to March, 1861 amounted to $437,759.88. The counties of Knox and Anderson each subscribed $100,000, and Campbell subscribed to $50,000 worth of stock, while individual pledges amounted to only $87,759.88.[7] Knoxville and the counties of Knox and Anderson paid their subscriptions promptly but that of Campbell was never paid. Approximately $200,000 of the above bonds were negotiated at sixty-five to seventy cents on the dollar. Prior to March, 1861, total cash receipts derived from all sources, exclusive of state aid, amounted to only $177,668.08.[8]

Subscriptions to stock made it possible for the incorporators to begin work on their road. During 1856,

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6. Holland, op. cit., p. 263.
7. "Report of the Select Committee Appointed to Investigate the Affairs of Southern Railroads", in House Journal, Thirty-Ninth Congress, Second Session, Report No. 34, pp. 556-558.
8. Ibid.

numerous surveys were made preliminary to the location of the road. In the spring of the following year work was begun by contractors on several sections of the road beginning at Knoxville. Construction seems to have been begun in earnest, only to be stopped by the panic of 1857. New life was injected into the enterprise in 1858, however, by the election of Joseph A. Mabry to the presidency of the company. That official restored the company's credit and resumed work on the road. Grading was soon completed to Clinton, about twenty miles from Knoxville and ties were placed on that portion of the road. Rails were laid to Copper Ridge, ten miles from Knoxville, before the advent of the war.[9]

Much of the work done by Mabry was financed by state aid. On February 1, 1860, the General Assembly passed an act which extended the time limit three years for completing the Knoxville and Kentucky. The same act also provided that the officials of the company might draw aid for ironing their road after each ten mile section was completed, provided that all the other requirements of the internal improvement laws were carried out.[10] In another act the legislature empowered the Knoxville and Kentucky officials to draw from the state for general construction, the difference between what an acceptable bridge across

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9. Ibid.; Whig, March 21, 1860.
10. Acts, 1859-60, p. 208.

the Clinch River would cost and the regular $100,000 loaned for bridge aid.[11] Accordingly, the company drew $80,000 from the state in March and an additional $100,000 in October, the latter being used to iron the first ten miles of the road.[12] These bonds, which were all that were received from the state before the war, were negotiated at an average of eighty-five cents on the dollar[13], although the internal improvement law of 1854 had specified that bonds of the state loaned for internal improvement should not be sold for less than par.

Although $80,000 had been drawn from the state as bridge aid, only $9,252.75 had been spent on the bridge across Clinch River before March, 1861. It is probable that part of the remainder was used by Mabry for purchasing an engine and cars which were put on the road during 1860, at least the treasurer's report so indicated. By March, 1861, there was a cash balance of only $3,370.82 and about $90,000 in unsold county and municipal bonds in the treasury. Total expenditures prior to that date amounted to $326,595.51. Of this sum $117,813.56, or less than $12,000 per mile, was spent on the completed section, and $58,252 for grading and masonry between Copper Ridge and Clinton.[14]

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11. Ibid., p. 548.
12. "Report of the Joint Select Committee" in House Journal Appendix, 1870-71, p. 93.
13. "Report of the Select Committee Appointed to Investigate the Affairs of Southern Railroads", in House Journal, Thirty-Ninth Congress, Second Session, Report No. 34, pp. 356-358.
14. Ibid.

During the early part of the war the chief executive of the Knoxville and Kentucky derived considerable profit from his road by hauling wood and other materials for the Confederate forces which occupied East Tennessee during that period. While making one such trip the train was stranded in Virginia by the destruction of a portion of the intervening road. Colonel C. A. Mee, engineer of the company, proceeded to Virginia, assumed control of the train and operated it during the remainder of the war for a profit exceeding $20,000. Meanwhile, one mile of the track laid down on the Knoxville and Kentucky was removed by the Confederate troops, and Mabry was given a voucher or credit for the same. What the actual transactions between Mabry and the officials of the Confederate army were have not been determined. At any rate, his integrity was vigorously attacked by certain of the stockholders.[15]

In December, 1861, Lincoln presented a message to Congress in which he recommended that that body appropriate sufficient funds to build a railroad that would connect "the loyal regions of East Tennessee and western North Carolina ...with Kentucky and other faithful parts of the Union,..." Although he recommended no particular route, he implied that Knoxville should be on the proposed road.[16] Congress

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15. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, pp. 160-161.
16. Congressional Globe, Thirty-Seventh Congress, Second Session, 1861-62, Appendix, p. 1.

did not comply with the President's request, though engineers of the United States army later conducted numerous surveys between Knoxville and the Ohio River preliminary to building the proposed military railroad.[17] No further steps were taken by the national government. Just before the close of the war, W. G. Brownlow, with his characteristic verbosity condemned the United States government for not building the proposed military road. He stated in part:[18]

> The horses and mules killed in crossing that impassable road for Government transports in the four years past; the destruction of wagons, and other Government property, sold at Government prices, would construct and equip the road.... Had that road been constructed, as it should have been, we should not now be at the mercy of Hood's army, and be liable to have our supplies stopped....

However valuable the surveys may have been, they by no means offset the losses sustained. Although no great amount of work had been done on the Knoxville and Kentucky Railroad before the war, that company suffered considerable damage due to the hostilities between the states. Colonel Adrian Terry, the engineer who resumed work on the road after the war, made the following report to C. M. McGhee and subsequently to the committee that was investigating the affairs of the Knoxville and Kentucky. The bridge across Beaver Creek and the heavy trestles at Jordan's Branch and

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17. Nashville Republican Banner, April 14, 1866.
18. Whig and Rebel Ventilator (Knoxville), Jan. 11, 1865.

Clinch River were destroyed. Less than six of the nine miles of track laid before the war remained, the United States military authorities having taken up more than three miles. Only the engine remained, and that was in Virginia in a wrecked condition. The heavy cuts and fills through the ridges had been very seriously injured by slides, and the embankments were so badly washed as to give an insecure base for track. Of the ties that had been placed, scarcely any that remained were serviceable.[19] The following losses tabulated by the investigating committee are interesting per se:[20]

Fixtures (shanties, etc.) destroyed or rendered unavailable during the war.....	$5,053.62
Lost by Bank of East Tennessee, city bonds of Knoxville deposited in 1856.....	2,500.00
Claims against Confederate States.....	2,512.51
Confederate currency.....	854.00

19. House Journal Appendix, 1870-71, p. 138.
20. Ibid., p. 113.

CHAPTER II

Post-War Construction with State Aid

Although the pre-war activities of the Knoxville and Kentucky had resulted in little actual construction, that road was in such a condition when order was restored that its future was indeed precarious. During 1865, the legislature, in an effort to resuscitate the company, extended the time ten years for completing the road.[1] The post-war appropriation acts which did so much to revive interest in railroad developments of the state were very generous to the Knoxville and Kentucky. No road in the state received so much on such a small original investment as the Knoxville and Kentucky. The omnibus appropriation bill of January, 1866, granted that road a loan of $250,000 for reconstruction and rehabilitation.[2] Another act passed May 24, made another $250,000 available to the Knoxville and Kentucky for the same purpose.[3] These two awards were received in April and July, respectively.[4]

Pending the issuance of these bonds, Colonel Charles M. McGhee, the new president, set about to recondition and

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1. Acts, 1865-66, p. 118.
2. Ibid., pp. 33-35.
3. Ibid., p. 268.
4. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 75.

extend his road. He went to New York and secured the services of Colonel Adrian Terry, an able engineer, who was to supervise construction. Terry stopped in Washington on his way south and secured certain charts and surveys pertaining to the Knoxville and Kentucky which were compiled by the government during the war.[5]

Colonel McGhee likewise stopped in Washington. While there he had a conference with Senator James Guthrie, of Kentucky, who was president of the Louisville and Nashville Railroad Company. The senator assured Colonel McGhee that his company was pushing forward its branch line - the Lebanon Branch - and that Crab Orchard would be reached in the near future.[6] Thus the Knoxville and Kentucky officials looked forward to making connections at the state line with both Cincinnati and Louisville. Colonel McGhee returned home and went immediately to work on his road.

The dismissal of the First and Fourteenth Negro Regiments in the area of Knoxville provided the railroad with an able force of strong-backed men whose services could be economically secured.[7] These men, under the direction of Colonel Terry, went to work in earnest during the spring of 1866. Throughout the summer work continued in spite of inactivity in Kentucky.

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5. Nashville Republican Banner, April 14, 1866.
6. Ibid.
7. Ibid.

The Knoxville and Kentucky officials did not have time to become dispirited before further encouragement came from the "Blue Grass State". A vote of the stockholders of the Louisville and Nashville relative to the extension of the Lebanon Branch toward the Tennessee state line resulted in a substantial margin in favor of the extension. The Louisville Journal in announcing the result gives evidence of the interest of Louisville in the proposed connection with Knoxville:[8]

> This vote decides a question of vital interest, not only to the two states directly concerned, Kentucky and Tennessee, but the entire Southern country. We regard it as a sure step toward the establishment of short and direct communication, at no distant day, of Louisville and the capitals of the South. In that direction our commercial destiny lies, and it will prove a glorious one, if the means at our command are wisely used. The stockholders having expressed confidence in the push-ahead system, we hope the great masses will follow their example....

When the above news reached Knoxville more men were put to work. By the middle of October, Colonel Terry, through his contractors, was working more than five hundred men in the various departments of construction.[9] About the same time Colonel McGhee was officially notified that the chief engineer of the Louisville and Nashville, Colonel George McLeod, had been authorized to place under contract that portion of the road which lies between Crab Orchard and London. Thus the

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8. Louisville Journal, Oct. 2, 1866 in Republican Banner, Oct. 3, 1866.
9. Knoxville Commercial, Oct. 17, 1866 in Republican Banner, Oct. 19, 1866.

Knoxville (or Lebanon) branch of the Louisville and Nashville, being under contract to a point thirty-three miles from the Tennessee line, left less than eighty miles to be provided for before aconnection could be effected.[10]

Meanwhile, Terry's work was showing results. The second ten mile section of track laying was completed late in November. Although the bridge for the Clinch River was not finished, it was being prepared in Knoxville and sent to the river by work-trains. On the 27th of that month Colonel McGhee took a party of citizens over the road to its new terminal point at Clinch River, opposite Clinton. All hailed the progress of the road with enthusiasm, especially the Anderson countians.[11] Success stimulated further activity. Plans called for the completion of the road to Chalen, about five miles beyond Clinton, by New Year's Day.[12]

During December, McGhee was again in Nashville in an effort to secure further aid from the state.[13] In this he was eminently successful. The second omnibus appropriation act (December 10, 1866) which provided generous loans for building depots, buying engines, etc. awarded the Knoxville and Kentucky $500,000.[14]

With the cash realized from the sale of the above bonds and others that followed in rapid order for ironing the road,

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10. Knoxville Commercial, Oct. 21, in Republican Banner, Oct. 23, 1866.
11. Cincinnati Commercial, in Republican Banner, Oct.19,1866.
12. Ibid.
13. Whig, Dec. 12, 1866.
14. Acts, 1866-67 (Second Adjourned Session), pp. 11-12.

work was continued throughout the summer. During 1867, the officials of the Knoxville and Kentucky received five different installments of bonds from the state totaling $740,000.[15] Incidentally, Colonel McGhee found it necessary to spend much time in New York during the summer negotiating sale of the bonds and securing materials for his road.[16]

In 1868, Colonel McGhee was succeeded by General Joseph A. Mabry[17], who had been president of the company from 1858 through 1864. The progress of the Knoxville and Kentucky under McGhee's administration is summed up briefly in the following table:[18]

Construction

20¾	miles of old roadbed replaced
11¾	miles of new roadbed completed
3	miles of new roadbed nearly completed
6	miles of old track replaced
20	miles of new track laid down
5	depot buildings built

Equipment Added

1	first class freight engine
1	first class passenger car
1	second class passenger car
4	box cars
20	platform cars

Total cost of construction and equipment $640,000.

If McGhee was eminently successful in securing state aid, Mabry was no less persistent in his efforts to obtain

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15. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, pp. 75-76.
16. Whig, June 26, 1867.
17. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 79.
18. Ibid., p. 139.

further loans. Although McGhee was responsible for the $800,000 loan awarded the Knoxville and Kentucky by the third and last omnibus appropriation Act for reconstruction, that sum was received by his successor and much of it was used in a fruitless attempt to secure further aid from the state. Despite the none-too-honorable efforts of Mabry and others, the appropriation bill of 1868 (discussed elsewhere) failed to become a law. Much of Mabry's time was spent in Nashville and New York. His prolonged journeys to the East were presumably for marketing the state bonds, but considerable time as well as many bonds of the state were devoted to private speculation.[19]

Meanwhile, there was no let up in work until Coal Creek was reached during the early part of 1868. At that time it was deemed feasible by the officials of the Knoxville and Kentucky to open up the coal traffic. Being unable under the existing charter to build "spur" tracks, the company secured the passage of an amendatory act which permitted the road to build branch lines.[20] This development was made possible by the last loan obtained by that company from the state, although the $130,000 thus borrowed was not intended by the legislature to be so used.[21] The building of these branches, which were little more than sidings, was

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19. "Report of the Joint Committee on the State Debt", in House Journal Appendix, 1879, p. 94.
20. Acts, 1867-68, p. 166.
21. "Report of the Joint Select Committee" in House Journal Appendix, 1870-71, p. 76.

one of the causes of delay in extending the main line of the road. The increased local traffic, however, did add considerably to the revenues of the company. This development also gave the increasing number of furnaces of Knoxville and near by cities ready access to a cheap supply of soft coal.

During 1869, the revived efforts of the Cincinnatians to secure a direct communication with the South stimulated the officials of the Knoxville and Kentucky to further activity in hope of aiding Knoxville to become the terminus of the Cincinnati Southern. Work on the main line was again undertaken and by October track was laid to Caryville, known at that time as Wheeler's Station, about thirty-nine miles from Knoxville.[22] The company failed to make further progress due to bankruptcy, repeal of the state aid laws, and investigations by the legislature. The selection of Chattanooga as the terminus of the Cincinnati Southern also caused interest in the Knoxville and Kentucky to subside. Nevertheless, there was still the possibility of a connection with the Louisville and Nashville - if the company could recuperate financially. By this time the retrenchment program of the state was well under way. That the stockholders were aware that the generosity of the state was no more to be relied upon is reflected by resolutions adopted at their annual meeting held in Knoxville in September, 1869. The first

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22. Whig, Oct. 20, 1869.

resolution empowered the president to negotiate a loan by leasing the road or by pledging its earnings for a period of years. The second ratified in advance whatever action the state might take toward the completion of the road.[23]

Meanwhile, the Louisville and Nashville had been pushing its branch line further toward the state line. That the Louisvillians were sorely disappointed with the progress of the Knoxville and Kentucky is evident from an article which appeared in the Courier-Journal of that city:[24]

> The Knoxville branch will be completed during the present month to Rockcastle river, a distance of one hundred and forty miles from Louisville.... The misfortune to us is that the Knoxville and Kentucky Railroad Company is utterly bankrupt.... The Louisville and Nashville Railroad Company had the most positive assurances that the Knoxville and Kentucky Railroad Company could command the means to complete their road to the Kentucky State line....
>
> Every effort has been made by the managers of the Louisville and Nashville Railroad to encourage the completion of the Knoxville and Kentucky road. As evidence of this fact they have continued work on the Knoxville branch for twelve months after the suspension of work in Tennessee.

Although Louisville was greatly displeased with the failure of the Knoxville and Kentucky to complete its road to the state line, the Louisville and Nashville continued to work on its Lebanon Branch. That road was ultimately extended to Knoxville, independent of and parallel to the Knoxville and Kentucky.

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23. Ibid., Sept. 28, 1869.
24. Courier-Journal, in Whig, March 25, 1870.

CHAPTER III

Financial Difficulties of the Knoxville and Kentucky

The dilemma in which the Knoxville and Kentucky found itself resulted from the cessation of state aid, which was caused, in part, by a default in interest payments due the state. Even prior to the time of actual default and in direct violation of law, proceeds of bonds to the amount of $43,896 were paid back to the state as interest on loans.[1] This was done, apparently, for the sole purpose of securing additional bonds and of avoiding appointment of receiver. After the failure of the omnibus appropriation bill of 1868, however, the Knoxville and Kentucky made no attempt to pay interest on its bonded indebtedness to the state. Although the internal improvement law of 1852 and supplementary laws had provided for the appointment of receivers for companies in default of interest payment, the governor did not appoint a receiver for the Knoxville and Kentucky until 1869. On September 16, 1869, one month before the legislature enacted

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1. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 91. While McGhee was president all interest payments were made to the state. Mabry defaulted in interest payment of July 1868, but paid that interest in December. Thereafter the Knoxville and Kentucky was in continuous default until sold by the state.

a law providing for the appointment of presidents as receivers for their respective defaulting companies, Governor Senter made Mabry receiver for the Knoxville and Kentucky.[2]

Shortly thereafter, the legislature authorized an investigation of the affairs of railroad companies in default. This investigation, conducted during 1869-1870 revealed, as many of the legislators had long suspected, that much of the aid obtained by the Knoxville and Kentucky had been fraudulently secured, hopelessly misapplied, and criminally squandered. Mabry was so involved in financial irregularities that he refused to continue his testimony before the investigating committee.[3] Despite this fact, considerable information was brought to light.

One outstanding fact revealed was the preponderance of the state's interest in the road. Under the provisions of the internal improvement act of 1852 and supplementary acts there were issued to the Knoxville and Kentucky officials $180,000 in bonds of the state prior to the war, which fact has been noted above. During the years immediately following the Civil War there were received by that

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2. Ibid., p. 106
3. Ibid. p. 154.

company eleven allotments of bonds totaling $2,170,000.[4] Of the post-war loans, $370,000 were for ironing the road and $1,800,000 for reconditioning and equipping a road upon which scarcely more than a quarter million dollars had been spent originally. The figures given below show a brazen contrast between state and local investments:[5]

Subscribed stock by individuals	$102,960.85
" " " cities	100,000.00
" " " counties	250,000.00
Amount paid in by individuals	78,911.55
" " " " cities	100,000.00
" " " " counties	200,000.00
" of capital stock paid in	378,911.55
" of State bonds issued to said road	2,350,000.00
" of floating debt	108,656.48
" realized from sale of capital stock of $378,911.55	274,372.61
" realized $2,062,000 bonds sold	1,689,332.38
Cost of construction	1,613,869.64
" " buildings	14,246.09
" " equipment	72,392.64

From the same table more tangible facts and figures pertaining to construction and equipment may be noted:

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4. Ibid., pp. 75-76. The bonds were received as follows:

April 27, 1866	250
July 23, "	250
Jan. 3, 1867	130
Feb. 14, "	100
March 2, "	100
April 1, "	300
Oct. 8, "	110
Jan. 8, 1868	150
Jan. 25, "	350
Feb. 20, "	300
March 6, "	130
	2,170 ($2,170,000)

5. Ibid.

Total length of road				65	miles
Length of road finished in Tennessee				39	miles
Length of road not finished				19	miles
Length of road graded				46	miles
That said road has				2	locomotives
"	"	"	"	1	passenger car
"	"	"	"	1	baggage and express car
"	"	"	"	2	box cars
"	"	"	"	5	platform cars
"	"	"	"	19	coal cars
"	"	"	"	11	road cars

From the above tables it is evident that the Knoxville and Kentucky may well be considered as an undertaking of the state. Bonds totaling $2,350,000 had been lent to the company which had built only 39 miles of road at an average cost to the state of more than $60,000 per mile. Despite the enormous cost to the state, 19 miles remained to be graded and 26 miles of track to be laid before the road would be completed to the state line, where a connection with some other road was none too certain.

Although $2,350,000 in state bonds had been received by the officials of the Knoxville and Kentucky, this whole amount had not been applied to constructing the road. Reconstruction, of course, consumed a part of that amount, and a comparatively small sum had been paid to the state as interest. Considerable losses also resulted from the depreciated value of the bonds. Though prices of Tennessee bonds fluctuated somewhat between fifty-five and seventy-

five cents on the dollar, the Knoxville and Kentucky realized, on an average, sixty-seven and one-half cents.[6] It may be noted here that the company lost $90,000 in bonds through the failure of C. Powell, Green and Company, brokers.[7] Certain other losses occurred through mismanagement and fraud.

The unbusinesslike methods employed by Mabry in handling the finances of the company are very questionable. From time to time he advanced money to the company out of his own pocket and is even credited with borrowing money on his own credit that work might continue.[8] Needless to say, he always repaid himself from the proceeds of state bonds. By examining the books of the company the investigating committee found a shortage of $162,000; a bogus credit of $30,000; and claims of credit for a note paid C. A. Mee, engineer, of $25,905, making a total of $217,905 for which Mabry could offer no adequate explanation.

It was also revealed that $28,000 was used by Mabry "in an evident attempt to perpetrate a further outrage, if not a swindle upon the State,..."[9] Investigations conducted in 1879 exhibited more completely his methods of lobbying. In an effort to influence the legislature to make further appropriations to his company he had provided thirty barrels

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6. Ibid., p. 77.
7. Ibid., p. 91.
8. Whig, March 21, 1869.
9. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 91.

of brandy,[10] and for the more temperate legislators he had carried accounts at a large merchandising house in Nashville. He admitted to the investigating committee, "I bought suits of clothes there for parties during the sitting of the Legislature, and parties bought suits there which were charged to me without my authority but which I paid for...."[11]

The report of 1879 also revealed certain speculative activities of Mabry and other railroad officials of East Tennessee. R. T. Wilson, in a written statement, related that bonds of the state were speculated in by himself, Thomas H. Calloway, Mabry, McGhee, and John B. Branner. Relative to the profits of the joint speculation, Wilson stated that "it was agreed, on a suggestion of Joseph A. Mabry, that a part of it, about $5,000, should be given by him to a member of the Brownlow family.... Mabry told me on the street in Knoxville, he gave it to Brownlow's wife...."[12] Mabry admitted that he had given the money to the governor's wife, and also that he and his colleagues had been advised by a celebrated spiritualist that "Old Scratch" (Governor Brownlow) could be controlled with money.[13] It seems that Mabry feared that his speculative activities would lead the governor to remove him from his lucrative position by the appointment of a receiver.

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10. "Report of the Joint Select Committee on the State Debt", in House Journal Appendix, 1879, p. 67.
11. Ibid., p. 174.
12. Ibid., p. 94.
13. Ibid., pp. 176-177.

With the information revealed by the investigating committee of 1870 at hand and with power to sell defaulting railroads, the Chancery Court at Nashville offered the Knoxville and Kentucky for sale in January, 1871.[14] That court had set $892,500 as the minimum for which the road might be bought,[15] but no sale was made at that time; hence, the road was again offered for sale. After due advertising, bids were opened on October 7, 1871. The highest offer made was $350,000 in depreciated bonds by Messrs. W. B. Johnston, C.A. Nutting, Joseph E. Brown, Alfred Austell, and C. M. McGhee. In the same month sale was consummated and confirmed for $350,000, which represented an actual loss to the state of $2,000,000.[16]

Meanwhile, C. M. McGhee had been re-elected president of the company in the autumn of 1870.[17] This position automatically carried with it the office of receiver, which he held until the road was sold by the state. The new owners reorganized the company, retained McGhee as president and assumed the name "Knoxville and Ohio Railroad Company". The name was not confirmed, however, until 1875 when the final indebtedness to the state was satisfied.[18]

During the years immediately following the purchase of

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14. Harrison, op. cit., p. 871.
15. "Report of the Commissioners in Relation to Delinquent Railroads", in House Journal Appendix, Oct. 2, Dec. 16, 1871, pp. 120-125.
16. Harrison, op. cit., p. 871.
17. Chronicle, Nov. 6, 1870.
18. Harrison, op. cit., p. 871.

the railroad by McGhee and his associates, nothing was done to extend the line despite much editorial clamor for the completion of the road. The Knoxville and Ohio apparently had no desire to become involved in financial suicide. During 1878, however, there seemed some likelihood that the Knoxville and Ohio would effect a connection with the Cincinnati Southern Railway,[19] but such a connection was not effected during the period covered by this study. Efforts at such a junction will be discussed more fully in the chapter dealing with the construction of the Cincinnati Southern Railway.

Although the road was making no lucrative returns, it was not a liability, as is shown by the following report.[20] These figures are for the fiscal year ending June 30, 1879:

Gross earnings	$97,827.51
Expenses	61,493.95
Net earnings	36,333.56
Interest on bonded debt	36,225.00
Leaving a surplus of	108.56

Following the purchase and reorganization of the Knoxville and Kentucky by McGhee and his associates, the road was operated more or less as an annex to the East Tennessee,

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19. Whig and Chronicle, May 22, 1878.
20. Ibid., Dec. 10, 1879.

Virginia and Georgia; and in 1881 it was acquired by that company for the sum of $1,808,745.72.[21] Thus a very sizeable profit was realized by the investors. Whether McGhee's official position as president of the Knoxville and Ohio and vice president of the East Tennessee, Virginia and Georgia affected the purchase price has not been ascertained. Not until a much later date, after the East Tennessee, Virginia and Georgia and its holdings had merged with other railroad companies to form the Southern Railway system, was the Knoxville and Kentucky constructed to the state line and connected with the Lebanon Branch of the Louisville and Nashville Railroad Company.

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21. Harrison, op. cit., p. 875.

PART III

THE CINCINNATI SOUTHERN RAILWAY
(A Municipal Enterprise)

CHAPTER I

The Demand for an Outlet to the South

Although the Knoxville and Kentucky was a failure in so far as the establishment of communication between the Ohio and Tennessee rivers was concerned, East Tennesseans did secure that desired connection during the period of this study. To a certain degree, the failure of the Knoxville and Kentucky may be attributed to the success of the Cincinnati Southern Railway.

The latter road was by far the most interesting, as well as the most important, railroad development in East Tennessee during the reconstruction period. The Cincinnati Southern differs in many respects from the roads discussed elsewhere in this study. In the first place, it was a municipal undertaking of the first magnitude, being financed by the city of Cincinnati. Secondly, being a foreign railroad, it was not involved in financial difficulties with the state of Tennessee. Finally, the road had its origin and completion within the period of time under consideration here.

The idea of an outlet to the South was by no means new to Cincinnati. The interest of the "Queen City of the West" in the Louisville, Cincinnati and Charleston Railroad project had been exceeded by that of no city except possibly Charleston. Since the panic of 1837 rendered that connection with the southeastern seaboard ineffective for some time, little

was done in the Ohio city to revive the plan.

Failing to secure an outlet by rail to the south, Cincinnati turned her attention to the north and east, leaving her southern trade to be carried on in its customary channels - down the Ohio and Mississippi rivers. By 1852, that city had secured railroad connections with the East and was benefitting by the railway developments of the Middle-West.[1] As valuable as these connections were, they did not satisfy the needs of merchants and manufacturers of the "Queen City".

At an early date Cincinnati learned that her commercial destiny depended upon southern markets. No section of the nation was in greater need of merchandise such as agricultural implements, clothing, pork, and grain than the southeastern cotton belt. Nor was any city more desirous of, or better equipped for furnishing these commodities than Cincinnati.

In the marketing of these goods, however, certain difficulties presented themselves to the Ohio merchants. Strong competition was offered by St. Louis and Louisville, both of which were less removed from southern markets than Cincinnati. Furthermore, obstructions in the Ohio River at Louisville prevented the passage of large boats until the Louisvillians made circumnavigation of the shoals possible by excavating a channel. This, however, proved of no great advantage; Cincin-

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1. E. M. Coulter, The Cincinnati Southern Railroad and the Struggle for Southern Commerce, 1865-1872, p. 21.

nati merchants now protested against paying discriminatory tolls.[2]

During the 1850's there seemed some likelihood that Cincinnati would be delivered from the obstacles, both natural and artificial, encountered at Louisville by means of a direct railroad connection with the South. By 1854, the Kentucky Central was in operation from Lexington to Covington, which is on the south bank of the Ohio, opposite Cincinnati.[3] By 1856, the Lexington and Danville company had extended the existing communication thirteen miles farther south to the town of Nicholasville.[4] Unable to make further progress, the officials of this latter company, in 1859, appealed to Cincinnati for financial aid. They proposed to extend their road to the Tennessee line provided they were guaranteed the sum of $1,000,000. Cincinnati accepted the proposition and set about to secure that amount by popular subscription. More than half the sum was pledged, but interest subsided and the Civil War put an end to the negotiations.[5]

In the meantime, Louisville had had better success than her rival in reaching the South. In 1859, the Louisville and Nashville was opened to traffic, thereby establishing

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2. Coulter, op. cit., pp. 20-21.
3. Ibid.
4. Harrison, op. cit., p. 970.
5. J. H. Hollander, "The Cincinnati Southern Railway, A Study in Municipal Activity", in Johns Hopkins University Studies in Historical and Political Science, XII, p. 14.

communication by rail between those two cities.[6] It will be remembered that the Tennessee capital already had railroad connections with the south Atlantic seaboard. Thus Louisville had a decided advantage over her greatest competitor, which advantage was relatively enhanced by the war. Louisville's gain was Cincinnati's loss. The Ohio metropolis suffered greatly during the hostility between the states due to paralysis of her southern trade. Even had the contending governments not interfered with trade between the belligerents, southern merchants and planters would still have been little inclined to buy northern goods.

Although Cincinnati made a successful effort to combat the hostile sentiment created by the war, her big problem was to break the strangle hold that Louisville had on her commerce. Already the idea of a direct railroad with the South, as the only means of regaining her commercial supremacy, was predominant in Cincinnati. In the meantime, Cincinnati had, in any event, to send her goods through Louisville. Though there was a railroad to the north of the Ohio, which, in a circuitous way, connected the two competing cities, there was no bridge across the Ohio at Louisville until 1870.[7] Hence, southern consignments continued to be sent down the river to Louisville and transferred to trains which must pass through Nashville enroute to Chattanooga -

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6. Ibid.
7. Coulter, op. cit., p. 22.

the cross-roads of the South. The merchants of the "Queen City" constantly complained that their merchandise was delayed at Louisville with malicious spite. To remedy this evil an agent was maintained at the metropolis of Kentucky to expedite re-shipments.[8] Furthermore, the policy of rate discrimination employed by the Louisville and Nashville was particularly atrocious. The rate for Cincinnati's products was generally determined by adding to the regular rate the cost of transportation by river from the "Queen City".[9] Thus, it was imperative to establish direct communication with the South if Cincinnati wished to preserve her position as the "Queen City of the West".

In an effort to secure a more desirable outlet to the south Atlantic, the various civic organizations of Cincinnati devoted considerable time and energy to the problem. On April 19, 1866, a large number of men assembled in the Chamber of Commerce Hall to hear a committee report on the ways and means of building a railroad to some southern system of roads. After the meeting was called to order the report was read. The necessity of extending railroad communication from Nicholasville, through Danville, to intersect the East Tennessee and Georgia at Knoxville or Chattanooga was stressed. As a part of its work the committee had prepared a form designed to secure donations toward extending the Lexington and Dan-

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8. Hollander, op. cit., pp. 16-17.
9. Coulter, op. cit., p. 12.

ville road. The form presented is worthy of direct quotation:

> The undersigned citizens of Cincinnati hereby agree to donate and pay to...trustees for any party or company which may be duly and legally authorized by the laws of Kentucky and Tennessee to construct said road, the sum of money set against our respective names, to aid in the construction of said road, said amount to be paid upon the completion of said road so far as to allow the passage of locomotive and train of cars over its whole line....

Contributors reserved the privilege of subscribing to stock to an amount equal to the donation. The report of the committee was accepted by a unanimous vote.

Judge Stanley Matthews was called on to address the assemblage. In a long and eloquent speech the judge spoke of the necessity of the road to heal the breach between the North and the South. He pointed out the advantages gained by Cincinnati's existing connections and visualized the magnificent results the proposed road would produce. He appealed to the citizens to grasp the opportunity before their rivals, Louisville and St. Louis, should do so. The judge closed his speech by reading a letter from S. S. L'Hommidieu, a prominent railroad official, who was unable to attend the meeting but who subscribed $5,000 and promised to help secure $200,000 through his influence with railroad companies.

At this point there was a general scramble on the part of those present to subscribe. Seventeen individual pledges totaled $117,500. The amount subscribed and promised by railroad companies reached the staggering figure of $1,317,500.

After a committee was appointed to secure further subscriptions the meeting was adjourned.[10]

A few days later still more generosity was revealed. Mr. Sinton of the Lexington and Danville proposed to sell that road to any corporation which might be organized to complete the proposed railroad from the Ohio River to Tennessee. He would have his road appraised by competent engineers and sell it for half the value so determined.[11]

Although these efforts, like previous ones, failed of success, they stimulated activity in East Tennessee and also developed considerable interest in Cincinnati. Knoxvillians hoped to secure direct communication with the "Queen City" over the Knoxville and Kentucky road. Chattanoogans likewise attempted to obtain direct access to Cincinnati. To this end the Chattanooga and Kentucky Railroad was chartered on May 25, 1866. That company was capitalized at $3,000,000.[12] By September, a route had been surveyed from Chattanooga to Big Emory River where surveying parties representing Cincinnati were met. This survey, though conducted by Colonel William B. Gaw, civil engineer of the Chattanooga and Kentucky, seems to have been sponsored by the Cincinnatians.[13] That there were serious intentions

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10. Cincinnati Commercial, April 20, 1866, in Nashville Republican Banner, April 21, 1866.
11. Cincinnati Commercial, in Nashville Republican Banner, April 28, 1866.
12. Acts, 1865-66, pp. 69-70.
13. American Union (Chattanooga), Sept. 27, 1866, in Nashville Republican Banner, Sept. 28, 1866.

of building the Chattanooga and Kentucky is doubtful. It is certain, however, that little was done before the Cincinnati Southern was undertaken in earnest. Evidence of this is found in the chartering of the Chattanooga and Cincinnati Railroad in February, 1869, which was authorized to build along practically the same route.[14] Both of these enterprises were short-lived.

Private capital was ineffective without direct aid from the city of Cincinnati. Such aid was rendered impossible by a provision of the Ohio constitution which expressly prohibited the legislature from authorizing any county, city, or township to extend its credit to or become a stockholder in any company, corporation, or association.[15] Thus the city seemed unable to secure adequate railroad facilities by any means. In 1868, however, Edward A. Ferguson, an outstanding lawyer of the "Queen City", suggested that the city could finance and build a railroad if no private company or corporation were involved in the project.[16] Ferguson incorporated his suggestion in a bill which ultimately made the Cincinnati Southern Railway a reality. Since another clause in the state constitution seemed to prohibit private or special legislation, Ferguson worded his bill so that it would be considered as general legislation, though it

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14. Acts, 1868-69, pp. 664-665.
15. Hollander, op. cit., p. 12.
16. Ibid., p. 20.

could apply to no city other than Cincinnati. The provisions of the bill were clear and definite. Whenever a city of the first class (having 150,000 inhabitants - Cincinnati being the only such city in Ohio) should, by act of its city council, pass a resolution declaring it essential to the interest of that city that a railroad be built with one terminus in that city; and, when that action should be ratified by a majority of the voters in a special election, then the Superior Court of that city should appoint a board of five trustees, holding office during good behavior, to carry out the object of the resolution. The bill further provided the trustees with all powers necessary to effect the completion of the road.[17]

Ferguson released his bill to the press in November and it was enthusiastically acclaimed. It was introduced in the Ohio legislature as soon as that body convened and it passed both houses with decisive majorities. It became a law on May 4, 1869. The legislature set the sum of $10,000,000 as the maximum amount of city bonds to be issued and fixed the interest rate at 7.3 per cent.[18] Thus the city of Cincinnati was empowered to build her Cincinnati Southern Railway.

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17. Ibid., pp. 20-21.
18. Hollander, op. cit., pp. 22-23.

CHAPTER II

The Southern Terminus Selected

Following the passage of the Ferguson Act, the next question to be settled by the citizenry of Cincinnati was the selection of a southern terminus for the proposed road. In order to determine the merits of a number of possible terminal points the Cincinnatians gave audience to a large number of delegates from the South, who wished to present claims for the terminus or a connection with it. The strong and forceful arguments presented by the various delegations during the month of May enabled the "Queen City of the West" to choose a terminal point that would offer the greatest advantages.

Another problem of great importance was the stimulation of public sentiment into active and popular support of the municipal undertaking. The presence in Cincinnati of large groups of railroad enthusiasts constantly advocating railway connections incited the natives to thinking about the proposed enterprise and created confidence in it. Thus ratification seemed assured.

Preparatory to sending delegates to Cincinnati, a large number of rallies were held in cities and towns to the south of the Ohio, chiefly in Tennessee, South Carolina,

and Georgia. A typical meeting of this nature was held in Clinton, Tennessee, on the day that the Ferguson Act became a law. Representatives from Anderson, Campbell, and Knox counties voiced their sentiments in resolutions which recited the advantages offered Cincinnati by the Knoxville route. The second resolution is so illuminating that it bears quoting.

> 2. That our inexhaustible mines of iron and coal, situated side by side; our millions of acres of forests that have never heard the sound of the woodman's axe; our thousands of cheap, healthful and inviting homesteads - all situated on the line of said Knoxville and Kentucky Railroad, and chequered with hundreds of mill streams - only await the sound of the steam whistle to call forth their treasures, and will furnish said railroad with an extraordinary local freight, and will furnish Cincinnati with cheap coal, iron, leather, wood, etc.

Copies of the resolutions were ordered to be printed in the Knoxville and Cincinnati newspapers, and twenty-nine delegates were named to represent the three counties in Cincinnati. Such outstanding names appear in the list as L. C. Houk, W. G. Brownlow, Horace Maynard, O. P. Temple, Adrian Terry, C. W. Jones, M. D. Bearden, R. C. Jackson, C. M. McGhee and Joseph A. Mabry.[1]

To the Cincinnatians there were four possible routes worthy of consideration. (1) The Cumberland Gap route was too far to the east and had so little inducement to offer that it was little discussed. (2) The Knoxville route was

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1. Whig, May 8, 1869.

the shortest and in many ways the most practical. (3) The Chattanooga route was the longest of the four and traversed a much rougher region than either of the others, but superior railroad connections could be made at that city. (4) The Nashville route was too far to the west to serve Cincinnati's needs. Nevertheless, the Nashvillians were persistent. They argued that it was foolish to consider a north and south route since trade did not naturally flow in those directions and could not easily be diverted from its accustomed channels. They further pointed out that the Louisville and Nashville could not care for existing demands of business.[2] In spite of these arguments Nashville, too, was early eliminated from the struggle and Knoxville and Chattanooga, backed by their satellites from South Carolina and Georgia respectively, had the field to themselves.

At this point it is well to explain the nature of the proceedings that took place in Cincinnati following the arrival of the southern delegates. Strictly speaking, the meetings were more or less an educational program sponsored by the various civic organizations of the city, but for want of a better word they will be referred to as a "convention". For two weeks after the Ferguson Act became a law small groups from the South continued to arrive in the Ohio city and to present their arguments before the press

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2. Coulter, op. cit., pp. 35-36.

and any audience that was willing to listen to them. The first general meeting in which a large number of speakers appeared, representing the different routes, was held on May 8.[3] Apparently, at the next general meeting, held one week later, a joint committee was appointed consisting of members of the City Council, the Board of Trade, and the Chamber of Commerce. It was before this committee, which was to decide on the southern terminus, that the various groups directed further arguments.[4]

A number of outstanding men appeared on the programs of the convention. Among those from South Carolina who made speeches were: Governor Scott, General J. W. Harrison, president, and Colonel J. P. Lowe, engineer, of the Blue Ridge Railroad, and J. B. Laffitte of Charleston. Georgia was represented by speeches from Governor Bullock and Colonel Hulbert, superintendent of the Western and Atlantic. Speakers from Kentucky were: Dr. Haggard of Louisville, C. S. Hill of Lebanon, Dr. Taylor of Somerset, and Judge Durham. Those delegates from Knoxville who made prominent speeches were: Mayor M. D. Bearden, president of the Knoxville and Charleston, J. W. Ramage, editor, C. M. McGhee, Adrian Terry and John H. Crozier, prominent railroad officials. The outstanding speakers from Chattanooga were W. A. Gunn, who was later employed as engineer for the Cincinnati Southern, and Colonel W. B. Gaw, also a prominent

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3. Whig, May 13, 1869.
4. Ibid., May 18, 1869.

engineer. These two men and two men from the Knoxville delegation, John H. Crozier and Adrian Terry, appeared repeatedly on the programs of the convention.[5]

From the outset of the convention two combinations of delegations presented united fronts. In these combinations the lead was taken by Knoxville and Chattanooga. The former worked in collaboration with the South Carolina delegates who were promoting the welfare of the Blue Ridge. The latter was supported by the Georgians who were particularly interested in the welfare of the Western and Atlantic. As the convention progressed, the two cities on the Tennessee became increasingly involved in the struggle, largely to the exclusion of others.

At this point it may be well to summarize the arguments presented by the two contending forces. The Knoxville delegation presented many and divers facts. (1) The Cincinnatians were reminded of the Louisville, Cincinnati and Charleston project which definitely included Knoxville on its route.[6] (2) Knoxville was the key to Virginia and the Carolinas.[7] (3) The Knoxville and Kentucky could be utilized, thereby effecting an economy in time and money. It was also made to appear that the Knoxville and Charleston and the Cincinnati, Cumberland Gap and Charleston were

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5. Ibid., May 13, 18, 21, 1869; Press and Herald, May 19, 1869; Cincinnati Gazette, May 17, 1869, in Whig, May 20, 1869.
6. Cincinnati Gazette, May 17, 1869, in Whig, May 20, 1869.
7. Ibid.

certain of early completion and of connections with other roads at the state line.[8] (4) The city in question was much nearer Cincinnati, and the completion of the above roads would give the "Queen City" a much shorter connection with the south Atlantic than could be had over any other route. A table compiled by Colonel Terry illustrating this argument is found at the end of this chapter.[9] (5) The topography of the route to Knoxville was much less forbidding than that of the Chattanooga route.[10] (6) It was pointed out that any connections that could be made at Chattanooga could also be made at Knoxville.[11] (7) Should Cincinnati choose Chattanooga as her terminus, Louisville would be sure to avail herself of the opportunities afforded by Knoxville.[12]

On the other hand, Colonel Gaw and Mr. Gunn pointed out in a less boisterous way the advantages of Chattanooga as a terminus. It is to be regretted that no Chattanooga newspapers that deal with the convention are available. That the arguments of Messrs. Gaw and Gunn were potent, however, is demonstrated by the fact that the "Look-Out City" was awarded the terminus. Among the known arguments the following are noteworthy: (1) The route between Cincinnati and Chattanooga was much more inviting that it was

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8. Whig, May 13, 1869.
9. Cincinnati Gazette, May 17, 1869, in Whig, May 20, 1869.
10. Whig, May 21, 1869.
11. Cincinnati Gazette, May 17, 1869, in Whig, May 20, 1869.
12. Whig, May 21, 1869.

made to appear by the Knoxvillians. This they claimed was made known to the Cincinnatians by earlier surveys.[13] (2) The Look Out City had actual rather than contemplated connections with the south Atlantic.[14] (3) Consolidations, if desired, could be effected at Chattanooga.[15]

Out of the convention grew an intensive rivalry between Chattanooga and Knoxville. The bitter contest at Cincinnati was reflected in an editorial battle between the Chattanooga Republican and the Knoxville Whig. The latter paper quoted from the Republican this very unlofty tribute to Knoxville:[16]

> We are in favor of doing just by Knoxville, and of granting her reasonable assistance in maintaining herself among the thriving country villages of the State, but if she must be subsized (sic.) to the extent of a million or two annually in order that she may become a city, we think it better that she should be permitted to deteriorate into the summer resort for which she was evidently destined by nature.

To this the Whig made the following retort:

> But for what was Chattanooga evidently destined by nature? How many feet under water was she a year or two ago? Ten? How extensive did the water spread? Ten miles? A tunnel five or ten miles long would have to be constructed to insure a dry passage over it in the event of a large freshet.

After the convention was over and Chattanooga felt confident of victory, the Republican endeavored to humiliate Knoxville still more.

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13. Ibid., May 13, 1869.
14. Ibid.
15. Ibid.
16. Whig, May 14, 1869.

> Folks are deserting Knoxville as rats desert a sinking ship. Her omnibus railroad appropriations have given out, and everything is unusually dull there, with the promise of becoming still worse. Like sensible people they are moving down to Chattanooga, where there is an abundance of work at good wages. During the past two days no less than one hundred laborers have arrived on the trains from Knoxville, and gone to work, most of them on the Alabama and Chattanooga Railroad. Our information is that others will come as soon as they can get the means.

To this also the Whig replied that "Knoxville does more work in one day than Chattanooga does in a week...."[17]

Meanwhile, there was, apparently, no formal adjournment of the convention. After the first few spasmodic efforts by the various groups, many of the delegates returned home. The joint committee continued throughout the month to listen to the arguments of the chief contending forces.[18] Being thus fortified with an abundance of facts and figures, the committee occupied a few days in condensing the evidence. On June 4, the committee met to make its decision. The first ballot resulted in a tie, but the second resulted in the choice of Chattanooga as the southern terminus for Cincinnati's proposed road.[19] Although Knoxville lost the decision, that city hoped that the road might be routed by Knoxville, or, that failing, she cherished the idea that a connection would be made with the Cincinnati road which would enable Knoxville to tap the trade of

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17. Ibid., June 3, 1869.
18. Ibid., May 29; Press and Messenger, May 26, 1869.
19. Whig, June 5, 1869.

the "Queen City" long before the road would be completed to Chattanooga.[20]

There were several reasons why Chattanooga was chosen as the terminus. (1) Superior connections could be made at that point; (2) The Knoxville and Kentucky and the Knoxville and Charleston railroads were involved in a financial imbroglio with the state; (3) Much of the north bound traffic could be diverted from Louisville to Cincinnati; (4) Louisville had supported the claims of Knoxville[21] and Cincinnati wished to do nothing to gratify the wishes of Louisville; (5) In the final stages of the convention the Alabama and Chattanooga Railroad Company proposed to build a road across the state to meet the Cincinnati Southern at the state line of Kentucky.[22] This offer, though it was never consummated, created considerable excitement in Cincinnati and probably turned the tide in favor of Chattanooga.

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20. Ibid., June 6, 12, 1869.
21. Coulter, op. cit., pp. 35-36.
22. Whig, May 29, 1869; Press and Messenger, June 3, 1869.

CITIES	No. 1	No. 2[a]	No. 3[b]	No. 4[c]	No. 5	No. 6[d]
	Cin. South'n R.R. direct to Chattanooga	Cin.South'n R.R. & K.&O. R.R. thence by E.T.,V. & G. R.R.	By route No. 2 to Knoxville thence Blue Ridge R.R. & Greenville & Columbia R.R.	By route No. 3 to Clayton, Georgia, thence by Northeastern R.R. and its connections.	By route No. 3 to New Market, S. C., thence by proposed road to Aiken, on S.C. R.R. 50 miles	By route No. 2 to Knoxville, thence by French Broad route to Asheville, N.C. & C.
Knoxville,Tenn.	450 miles	274 miles	---	---	---	---
Chattanooga.....	338 do	386 do	---	---	---	---
Dalton, Ga.....	376 do	384 do	---	---	---	---
Atlanta.....	476 do	484 do	---	506 miles	---	---
Macon.....	579 do	587 do	---	609 do	---	---
Augusta.....	647 do	655 do	---	586 do	565 miles	659 miles
Savannah.....	779 do	787 do	---	718 do	697 do	791 do
Columbia, S.C..	736 do	744 do	579 miles	---	---	579 do
Charleston.....	784 do	792 do	709 do	723 miles	668 miles	700 do
Port Royal.....	758 do	766 do	---	697 do	676 do	770 do
Asheville, N.C.	---	---	---	---	---	400 do
Raleigh.....	---	---	---	---	---	662 do
Wilmington.....	---	---	---	---	---	730 do

a. Notes - No. 2: By comparing this route with Route No. 1 it will be seen that it is only 8 miles longer to all points south of Dalton, Georgia while Route No. 1 requires 110 miles more of new road than Route No. 2.

b. No. 3: On this line 108 miles of road to be built between Knoxville, Tennessee, and Clayton, Georgia, junction with the Northeastern Railroad, 25 miles to be built from Clayton to end of rails at Walhalla, South Carolina, of which the heaviest portion of the work is already done.

c. No. 4: Northeastern Railroad graded from Athens to Air Line Railroad, and in progress north of the Air Line, about one-half of the total distance to Clayton being graded and ready for the track.

d. No. 6: Those connections are all in process of construction and will be completed within two years.

CHAPTER III

Construction of the Cincinnati Southern

The presence in Cincinnati of large delegations of railroad enthusiasts had incited great activity. Full accounts of the meetings of the convention as well as considerable supplementary information and editorial comment were passed on to the general public by the various newspapers of the city. Consequently, the proposed southern road furnished the chief subject of conversation throughout the municipality. Amid the general excitement came the report of the joint committee chosen to select the southern terminus. Thus the preliminary activities were concluded.

Feeling that public opinion warranted action, the City Council met and officially declared the proposed railway a necessity and provided for the general referendum. In order to insure a large vote on the referendum the mayor ordered all business houses throughout the city to suspend activity long enough for employees to vote. On election day nine bands paraded the streets.[1] On June 26, 1869, the voters of Cincinnati endorsed the action of the City Council by an overwhelming majority. The vote favoring the

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1. Coulter, op. cit., p. 34.

railroad was 15,435, while only 1,500 votes were cast against the proposition.[2]

Four days after the election, the Superior Court of Cincinnati carried out the third provision of the Ferguson Act by naming the five directors. Those appointed were: E. A. Ferguson, ex-state senator and author of the Ferguson Act, Richard M. Bishop, ex-mayor of Cincinnati and later governor of Ohio, Miles Greenwood, William Hooper and Philip Heidelback. Though none of the men selected had had experience in railroad construction, they were men of varied and excellent abilities.[3]

The Board of Trustees went speedily about their task. By August an engineering department had been organized and two groups of engineers sent out to conduct preliminary surveys. Directness of route was to receive primary consideration, subject, of course, to topography. Inducements offered by counties and land owners were not to be overlooked, however. This preliminary work was financed by funds from the city treasury pending the negotiation of the bonds provided for by the Ferguson Act.[4]

One of the first major tasks to face the Trustees was the securing of a right of way through the states of Kentucky and Tennessee. Some difficulty in obtaining the desired legislation in the former state was anticipated; so the Trustees turned their attention first to Tennessee.

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2. Hollander, op. cit., p. 24.
3. Ibid.
4. Ibid., p. 25.

Late in 1869, application was made to the General Assembly of Tennessee for a right of way. Unexpected opposition was voiced by John M. Fleming, of Knoxville, who was chairman of the House Judiciary Committee to which the bill was referred. In a lengthy speech against the passage of the bill, Fleming pointed out three objectionable features: (1) Such an extensive grant of power was unwarranted by the constitution; (2) the state's interests were not properly safeguarded; and (3) the state was asked to pass a bill submitted to it by a foreign corporation. The real opposition to the bill was not technical but personal. Since both Knoxville and Nashville were unsuccessful in their attempts to secure the terminus of Cincinnati's road, the delegations from both those cities opposed the bill.[5]

In spite of the opposition the bill became a law on January 20, 1870. The act recited certain provisions of the Ferguson Act and named the Trustees selected by the Superior Court of Cincinnati. The Trustees were empowered to extend their road (with all usual appendages, including a line of telegraph) through the state to Chattanooga; to acquire land by purchase or gift; to exercise eminent domain; and to issue bonds. Certain restrictions designed to protect Tennesseans, however, were imposed. Maximum rates were established at five cents per mile for passengers and thirty-five cents per one hundred pounds for freight. Furthermore, Tennesseans should never be discrimi-

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5. Coulter, op. cit., p. 40.

nated against in any way. Finally, it was provided that the state should not extend financial aid to the Cincinnati project.[6]

Meanwhile, on January 7, 1870, a bill was presented in the Kentucky legislature petitioning that body for a right of way. Having anticipated difficulty in the "Blue Grass State", the Trustees had voted Miles Greenwood, their president, $20,000 for lobbying purposes. A part of that sum was used to employ John C. Breckenridge to advocate the measure. In opposition to the bill, the dominating influence of Louisville and of the Louisville and Nashville Railroad Company was in great evidence. In Kentucky, as well as in Tennessee, constitutional objections were overshadowed by jealousy. Figuratively speaking, the Civil War was re-fought in the Kentucky legislature. Every known device for influencing the legislators was employed, including banquets, wine, and excursions. When the bill was voted on in March, it was revealed that the victory had been won by the opposition; the bill was defeated by decided majorities in both houses.[7]

In spite of this first set back, the bill was reintroduced on the second day after the new legislature convened (January 5, 1871). The Trustees were ably assisted by the citizens of central Kentucky who felt that they had been betrayed by Louisville. During the season of debate, a delegation appointed by the governor of Georgia arrived

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6. Acts, 1869-70, pp. 291-298.
7. Coulter, op. cit., pp. 41-45.

at the capitol to plead for favorable action. Simultaneously a memorial for the same purpose was sent to Frankfort by the General Assembly of Tennessee. By spending $4,980 in opposition to the bill Louisville won another victory over her rival. Although the bill was passed in the House by a vote of 46 to 45, it was defeated in the Senate by an overwhelming majority.[8]

Early in February, when a second defeat at the hands of Kentucky seemed evident, Senator John Sherman of Ohio introduced a bill in the United States Senate (simultaneously, a similar bill was introduced in the House) designed to secure the desired right of way through Kentucky. Lack of local support and opposition to further interference in state affairs by the federal government caused action to be delayed. Although the House voted favorably on the bill, no vote was taken in the Senate before Congress adjourned.[9]

The Trustees refused to admit defeat. Keeping somewhat in the background, they directed vigorous campaigns in Kentucky throughout the summer of 1871. In December, a third bill in the behalf of the Cincinnati Southern was introduced in the Kentucky legislature. After the customary heated debate, in which Cincinnati was represented by her supporters in Kentucky, the bill was passed, but it was rendered impracticable by restrictive amendments. The outstanding restrictions were: A tax of one cent on each passen-

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8. Ibid., pp. 49-52.
9. Ibid., p. 54; Hollander, op. cit., p. 30.

ger and on each one hundred pounds of freight crossing the state; and a specified route.[10] Fortunately, Kentucky reversed her attitude. During 1872, two of the obnoxious restrictions were removed by the legislature, and on February 4, 1873, the final objectionable clause was repealed. When this was done, the Trustees approved the act.[11]

The delay in obtaining the right of way from Kentucky caused unfavorable reaction in Cincinnati. After the first bill was defeated in Kentucky an injunction was filed against the Trustees to prevent them from drawing any more money from the $50,000 fund set aside by the city of their use pending the issuance of the bonds for construction. The case was appealed, and the Superior Court upheld the action of the Trustees.[12] To forestall further local opposition, the Trustees submitted the Ferguson Act itself to the Supreme Court of Ohio for an opinion on its constitutionality. During 1871 that court declared the Ferguson Act valid.[13]

Notwithstanding adversities at home and in Kentucky, the Trustees were not deterred from pushing their work forward. By the end of June, 1870, four different routes had been surveyed across Kentucky and surveying parties were working in Tennessee to the south of Chitwood.[14] In

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10. Hollander, op. cit., p. 32.
11. E. A. Ferguson, Founding of the Cincinnati Southern, p. 37.
12. Hollander, op. cit., p. 27.
13. Ibid., p. 31; Nashville Republican Banner, Jan. 5, 1871.
14. Nashville Republican Banner, Jan. 5, 1871.

the spring of 1872, W. A. Gunn, who had been secured as an engineer for the Cincinnati Southern, made a preliminary report on the surveys which had been made. More than three thousand miles of possible routes had been charted, but only half of that distance was reported. In all, there were twenty-six combinations of routes. Three routes crossed the Tennessee-Kentucky line, one passing through Coal Creek and another through Sparta. Cincinnati had two possible approaches, while three routes converged at Chattanooga. The distance between the two cities varied from 324 miles to 374 miles.[15]

During the remainder of 1872 and throughout the following year the Trustees were kept busy dealing with four problems in addition to those already discussed. (1) Legal questions concerning the bond issue and the interpretation of the Ferguson Act required considerable time and energy.[16] (2) By December, 1873, the surveyors had completed their work and the Trustees had definitely located the route to Chitwood, about twenty miles west of Caryville. Although final decision had not been made, indications were then prevalent that from Chitwood the route would be directed on a fairly straight course toward Chattanooga, notwithstanding efforts on the part of Knoxville to have the route pass through that town.[17]

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15. Whig, June 29, 1870.
16. Hollander, op. cit., pp. 30-38.
17. Chronicle, Dec. 17, 1873.

(3) As a consequence of delay and uncertainty, much of the land promised by property owners along the route had to be acquired by purchase and condemnation at great expense. (4) Finally, one of the most perplexing problems was the marketing of the bonds. The Trustees were forbidden by law to sell the bonds for less than their par value; furthermore, the high rate of interest was mistaken as evidence of poor credit. To these inherent limitations were added the financial crisis of 1873, and the default of many railroads in interest payment. Finally, after two unsuccessful attempts to market the bonds in Europe, they were negotiated at par value in New York, though a high commission was charged for the transaction.[18]

Although the Trustees had been consistently at work clearing up preliminary details, four years had elapsed since the Ferguson Act had become a law. Needless to say, the Cincinnatians were impatient. Some advocated abandonment of the municipal undertaking, while others clamored for immediate construction. Though criticized almost without mercy, the Trustees secured $5,000 on their own personal credit and awarded the first contract for construction on December 12, 1873. This contract was for a tunnel through King's Mountain in Kentucky.[19]

The awarding of contracts for work in the vicinity of

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18. Hollander, op. cit., pp. 37-39.
19. Ibid., p. 37.

Cincinnati was delayed by two troublesome questions, namely: the purchase of the Lexington and Danville Railroad, and the use of the Newport bridge. On January 20, 1874, the Trustees bought the Lexington and Danville for $300,000.[20] Meanwhile, the negotiations for the use of the bridge fell short of success. The owners sought unreasonable tolls for its use, and otherwise showed little inclination to cooperate. Moreover, had the Trustees secured passage over the Newport bridge they would have encountered congested traffic, and been forced to cross many streets in Cincinnati before adequate depot and yard space could be reached. Accordingly, the Trustees decided to build a bridge of their own across the Ohio. The "Ludlow route" was adopted which gave a most desirable and inexpensive approach to the city. To encourage this choice the Ludlow heirs had donated fifteen acres of ground which would be suitable for a depot site and switch-yards. This approach was to the west of the Newport bridge.[21] In selecting the Ludlow route the Trustees were accused of serving their own personal ends since some of them owned property on or near the Ludlow route.[22]

These difficulties out of the way, the Trustees showed

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20. Ferguson, op. cit., p. 44.
21. Ibid., pp. 79-80.
22. Courier-Journal (Louisville), Dec. 15, 1873, in Whig, Dec. 24, 1873; Chronicle, June 18, 1873; Cincinnati Commercial, in Chattanooga Commercial, Feb. 17, 1874.

vigorous activity. During the next three months thirty contracts were awarded for the grading, tunneling, and bridging of approximately one hundred and fifty sections of the road. By autumn, 1874, work was well under way on the portion of the road located in southern Kentucky and northern Tennessee. The sections located between Chitwood and Emoryville were exceedingly rough; specifications for a distance of sixty miles called for a total of 12,000 feet of tunneling, 1,800 feet of truss-bridging, and 2,300 feet of trestling.[23]

In January of the following year, a $663,500 contract was made with the Keystone Bridge Company to build the bridge across the Ohio.[24] During March contracts were awarded for the building of all bridges and trestles between the Ohio and Cumberland rivers, with the exception of the bridge over the Kentucky River. Specifications called for a bridge across that stream 275 feet high, which it was claimed, would be the highest bridge in the world.[25]

So many heavy contracts had been awarded that the means at the disposal of the Trustees were almost exhausted by May, 1875. Although approximately $9,500,000 had been spent, the road was only about half completed.[26] Since so much money had been invested in the project, it could not

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23. Chronicle, March 25, 1874.
24. Ferguson, op. cit., p. 49.
25. Loudon (Tennessee) Journal, March 12, 1875.
26. Hollander, op. cit., p. 41.

be abandoned. An additional appropriation was the only solution for the problem which confronted the Trustees.

When the financial status of the Cincinnati Southern was made known to the public about June, 1875, the Cincinnati newspapers engaged in a bitter campaign of criticism.[27] The Cincinnati Volksblatt and also the Times of that city were especially opposed to the city making further appropriations. Excerpts from the former newspaper merit direct quotation:[28]

> The question in regard to our Southern Railroad is not whether we shall send six millions more after the ten millions to save the latter, but whether we will lose six millions more.... Shall we lose yet more money than we have already lost? Ten millions are buried in the mountains of Kontucky (sic.) and Tennessee; shall that inhospitable and barren region swallow up yet more of the hard earnings of the tax-payers of this city?... we have answered it with a very emphatic NO. Since it is only a matter of losing, it is better to lose ten millions than sixteen....

Various remedies were suggested for the dilemma in which the Trustees found themselves. The Gazette pointed out that the Ohio might be ferried and that the road should make Knoxville its southern terminus. Only $2,200,000 would be necessary to complete the road under this plan.[29]

On January 26, 1876, the Trustees made a report to the Ohio legislature, describing the progress of the road and asking authority for additional appropriations. They re-

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27. Whig and Chronicle, June 30, 1875.
28. Cincinnati Volksblatt, in Whig and Chronicle, Jan. 26, 1876.
29. Cincinnati Gazette, in Whig and Chronicle, Feb. 2, 1876.

ported that the $10,000,000 previously authorized had been disposed of in the interest of the road, and also additional funds from other sources amounting to $860,483.25. The total amount of grading, masonry, and bridges under contract was listed at $9,890,213.43. Of the entire length of the road (336 miles), they stated that 240 miles, representing the most difficult part to be constructed, was under contract, and that the grading and masonry were completed on a total of 206 miles, and 88 per cent completed on that portion of the road between Cincinnati and Lexington. The Trustees pointed out that the road could be completed to Chattanooga for $6,000,000, and that they desired authority to issue additional bonds for that amount.[30] During February, 1876, the legislature passed a bill authorizing the bond issue[31] and it was ratified by the voters of Cincinnati, notwithstanding opposition from the press.[32]

Despite the financial difficulties encountered by the Trustees, work on the road was continued by the numerous contractors, some of whom worked both day and night crews.[33] The appropriation of $6,000,000 enabled the Trustees to award further contracts. During March, 1876, contracts were made covering 74 additional miles of construction[34], and by December, only 39 miles of road remained to be graded.

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30. Whig and Chronicle, Feb. 2, 1876.
31. Chattanooga Commercial, Feb. 11, 1876.
32. Whig and Chronicle, March 22, 1876.
33. Ibid., July 21, 1875; Feb. 9, 16, 1876.
34. Ibid., March 31, 1876.

Meanwhile, track was laid from Cincinnati to Somerset.[35]

During the spring of 1877, however, the Trustees again found themselves without sufficient funds to complete their road. In order to defray part of their expenses they leased the completed portion of the road to a group of Cincinnatians who, under the style of Common Carrier Company, began operation of the road.[36] In January, 1878, the chief engineer submitted a report which showed that an additional appropriation of approximately $2,000,000 was necessary to complete the road.[37]

On February 14, the Cincinnati Chamber of Commerce, the Board of Trade, the Board of Transportation, and many prominent men assembled to discuss the problem of completing the railway. Resolutions were adopted to the effect that the legislature be requested to authorize an issue of bonds not exceeding $2,000,000, on condition that the bonds should not be issued or sold until contracts were awarded for the completion of the entire road.[38] Nevertheless, the issuance of further bonds was bitterly opposed by various groups in Cincinnati.[39] Although the legislature in April, 1878, authorized the bond issue, the voters of the city of Cincinnati failed to ratify further appropriation.[40] About the only thing the people of that city were agreed upon

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35. Nashville American, in Whig and Chronicle, Dec. 27, 1876.
36. Ferguson, op. cit., p. 87.
37. Cincinnati Enquirer, in Whig and Chronicle, Jan. 16, 1878.
38. Whig and Chronicle, Feb. 20, 1878.
39. Cincinnati Gazette, in Roane County Herald (Kingston), May 2, 1878.
40. Loudon (Tenn.) Journal, May 10, 1878.

was the fact that all censored the Trustees.[41]

Meanwhile, R. T. Wilson, president of the East Tennessee, Virginia and Georgia Railroad, saw a possible chance to make a bargain with the Cincinnatians. He proposed to complete the Knoxville and Kentucky road to Chitwood if the Cincinnati Southern would complete its line to that point. The only guarantee sought was a pledge of the business of the Cincinnati road for a brief, but unstated, period of time. He further pointed out that his purpose was not to prevent the completion of the Cincinnati Southern to Chattanooga but to aid that road in its existing dilemma.[42]

The proposition of Wilson was highly acclaimed by the mayor and certain officials, but it was frowned upon by others.[43] The Trustees were especially unfavorable. Wilson was invited to Cincinnati to explain his offer, and a committee appointed by the mayor was most favorably impressed by the proposition of Wilson; but no agreement was consummated due to actions of the Ohio Legislature and the Trustees.[44]

A week after the people of Cincinnati had voted down the $2,000,000 bond issue the General Assembly enacted a law which authorized the Trustees to award contracts for the completion of the road to Chattanooga provided the

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41. Whig and Chronicle, May 15, 1878.
42. Ibid., May 22, 1878.
43. Ibid.; Cincinnati Commercial in ibid., June 5, 1878.
44. Whig and Chronicle, June 12, 1878.

contract price did not exceed $2,000,000. When this was done the mayor was again to submit the question of the bond issue to the people for ratification.[45]

Being thus invested with authority, the Trustees met on July 25, and conditionally awarded a contract to R. C. Houston and Company to complete the road to Chattanooga for $1,671,998. The contracting firm was given until August 20, 1879 to complete the road.[46] Although the bond issue was indorsed by the voters of Cincinnati in August[47], the contractors waited until the Supreme Court of Ohio pronounced the law constitutional, which was done in December.[48] This done, the contractors began work without further delay, and the Trustees extended the time for completing the road until December 10, 1879.[49] At nine o'clock at night, on that date, the first engine to pass over the entire line of the Cincinnati Southern entered Chattanooga. There was no celebration since a few weeks more were required to put the road in shape to be presented to the Trustees.[50] Meanwhile, the Trustees had added $411,200 worth of rolling stock to their road.[51]

To commemorate the completion of the Cincinnati Southern, a great celebration was held in the "Queen City". E. A. Ferguson, who, more than any one else, was responsible for

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45. Ibid.
46. Roane County Herald (Kingston), Aug. 4, 1878.
47. Hollander, op. cit., p. 48.
48. Whig and Chronicle, Jan. 1, 1879.
49. Ibid., Jan. 8, 1879.
50. Ibid., Dec. 17, 1879.
51. Ibid., Aug. 13, 1879.

the construction of the railway, very ably described that festive occasion:[52]

> On March 18, 1880, upon the completion of the railway, the largest banquet ever spread in the United States, up to that date, was given by the citizens of Cincinnati at the Music Hall in commemoration of that event. Not less than seventeen hundred and seventy-six Southern men, leading merchants, manufacturers, politicians, governors, and other invited guests sat down to this magnificent feast....

In concluding the history of the Cincinnati Southern, three things deserve summary mention, namely: the cost and other methods of financing the road; excellence of construction; and methods and results of operation. Along the 336 miles of road, rights of way were donated for more than 200 miles. An aggregate of 35 acres for depots, shops, and switch-yards were contributed by the Ludlow heirs and the Roane County Iron Works in Cincinnati and Chattanooga respectively. The only other appreciable donation was that of the city of Chattanooga of $100,000 to be used for depot and other facilities in that city.[53] The remaining cost of the road was borne by the city of Cincinnati. The Cincinnati Southern when completed and equipped cost the city $20,300,000 rather than just the $10,000,000 the original plans called for.[54]

Such an immense expenditure was necessary to overcome the mammoth obstacles, both natural and artificial, that

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52. Ferguson, op. cit., p. 125.
53. Ibid., p. 58.
54. Harrison, op. cit., p. 973.

confronted the Trustees, and in the end proved to be a profitable investment. The accomplishments of the engineering department stand as a monument to early railroad construction. In later years when many railroad companies found it necessary to re-locate and rebuild portions of their roads, the Cincinnati Southern remained a superior road without alterations. The bridge across the Kentucky River was the first cantilever built in America and was, when constructed, the highest span in the New World. The bridge across the Ohio, with a channel span of 515 feet was, at that time, the longest truss span in existence.[55]

Superior construction led to superior results. Although there were times when the city had to turn out its street lamps on moonlight nights in order to meet interest payments[56], her reward was forthcoming, not only in traffic supremacy, but on her actual investment. In 1881, the operation of the road by the Common Carrier Company was terminated and the road with all equipment was leased for twenty-five years to the Erlanger syndicate which controlled the Alabama Great Southern and the East Tennessee, Virginia and Georgia railroads. The contract provided for a progressive rental scale which began at $800,000 and reached $1,225,000 during the last five years the lease was in force. Before the lease expired the East Tennessee,

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55. Frank H. Spearman, The Strategy of Great Railroads, p. 270.
56. Ibid., p. 271.

Virginia and Georgia acquired a controlling interest in the Erlanger syndicate.[57] When that company merged with other systems to form the Southern Railway System the Cincinnati Southern was leased to the latter company and is still operated as a part of the Southern Railway.

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57. Hollander, op. cit., pp. 50-59.

PART IV

MINOR RAILROADS AND CONSOLIDATIONS

CHAPTER I

Minor Railroad Developments

(The Cincinnati, Cumberland Gap and Charleston, the Rogersville and Jefferson, the East Tennessee and Western North Carolina, and the Mineral Home)

Although the Knoxville and Charleston, the Knoxville and Kentucky, and the Cincinnati Southern have been discussed somewhat at length, there were other railroad developments in East Tennessee that merit consideration. In some respects these latter enterprises were more or less local in importance, though their achievements were by no means insignificant. With the possible exception of the Cincinnati, Cumberland Gap and Charleston, they involved no great clamor for an inter-state connection. None of the roads, save the one mentioned above, ever came to be important links in any system of communication. There is one other reason why the roads discussed in this chapter are treated as minor developments. Apparently, their activities did not attract the public attention that some of the larger undertakings did; hence, information concerning these roads is conspicuous by its scarcity.

By far the greatest railroad enterprise falling under the caption of minor roads was the Cincinnati, Cumberland Gap and Charleston. As the name implies that road was by

no means local in scope. Chartered by the General Assembly in 1853, and confined in its activities to upper East Tennessee, it hoped ultimately to form a link in a chain of roads that would connect Cincinnati with Charleston.[1] From Cumberland Gap, the cap-stone of three states, the road was to run southward through Tazewell, Bean Station, Morristown and Newport to Paint Rock on the North Carolina line. The distance from Cumberland Gap to Morristown is fifty-one miles, and from that point to Paint Rock, forty-four miles; thus the proposed road was ninety-five miles in length.[2]

In 1855 contracts were awarded for grading and bridging the road from Bean Station to Newport, a distance of thirty miles. By May of the following year considerable grading had been done and the bridge across the Holston one-fourth completed. As a consequence of this progress, the officials of the company made an unsuccessful effort to obtain bridge aid from the state of Tennessee. Following this denial of aid work on the road was considerably retarded and that portion of the line to the north of Morristown, including the Holston bridge was abandoned altogether.[3] Nor was work resumed on that part of the road after the war. In 1860, however construction was again undertaken energetically. During

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1. Acts, 1853-54, pp. 645-648.
2. Whig, Sept. 5, 1866.
3. "Report of the President of the Cincinnati, Cumberland Gap and Charleston Railroad Company", June 3, 1857, in Tennessee State Archives.

September of that year, the entire road to the south of Morristown was placed under contract. Thirty miles of the roadbed had been graded; twelve miles of ties placed; and considerable masonry and bridge work done before the war put an end to the work.[4] This progress had been made possible by solvent subscriptions to an amount exceeding $300,000 and a loan of $132,000 from the state for the construction of bridges.[5] Although thirty miles of roadbed had been graded, the Cincinnati, Cumberland Gap and Charleston company obtained no further aid from the state prior to the war.

In May, 1866, the officers of the company petitioned the legislature for aid to recondition and complete their road.[6] In response to this plea, the omnibus act of December, 1866 awarded $500,000 to the Cincinnati, Cumberland Gap and Charleston. Likewise, the appropriation act of the following December made an additional $200,000 available for rehabilitation. In addition to these funds, the company drew $541,000 for iron and bridge aid during 1867-1868.[7]

With this financial assistance at its disposal the company pushed forward its line from Morristown to Wolf Creek,

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4. Senate Journal, 1865-66, pp. 351-353.
5. Harrison, op. cit., pp. 700-702; "Report of the President of the Cincinnati, Cumberland Gap and Charleston Railroad Company", June 3, 1857, in Tennessee State Archives.
6. Senate Journal, 1865-66, pp. 351-353.
7. "Report of the Comptroller", in House Journal Appendix, 1879, p. 167.

a distance of forty-one miles. Why the road stopped at that point, just four miles short of its destination is unknown. Possibly the company used its remaining capital to equip and put the road in operation.

By February, 1869 trains were running to Wolf Creek, where they were met by stage coaches which effected communication with Asheville and Morganton. The schedule, however, called for only three trains per week - Monday, Wednesday and Friday.[8] Thus far, the Cincinnati, Cumberland Gap and Charleston was just a branch line or "feeder" to the East Tennessee, Virginia and Georgia road.

Shortly after the war, the Western North Carolina Railroad Company, which was designed to meet the Cincinnati, Cumberland Gap and Charleston at Paint Rock, began vigorously to extend its line westward from Salisbury to Asheville. Moreover, some grading was done on the portion of the line to the west of Asheville. Thus, it seemed likely that the Cincinnati, Cumberland Gap and Charleston seemed assured of an early outlet to the southeast. Such, however, was not the case. During 1868 the Western North Carolina company fell into the hands of corrupt politicians and was subsequently placed in bankruptcy.[9]

Meanwhile, the Cincinnati, Cumberland Gap and Charles-

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8. Whig, Feb. 16, 1869.
9. Brown, op. cit., pp. 126-137.

ton was having difficulties of its own. Although the affairs of the company were not investigated by the Joint Select Committee in 1870, the company had, nevertheless, defaulted in interest payment in 1868,[10] and remained in default until offered for sale by the state. The East Tennessee, Virginia and Georgia company had long been waiting for such action. In 1871 the road was bought by Messrs. C. M. McGhee and R. T. Wilson, agents of the East Tennessee, Virginia and Georgia for the sum of $300,000 in state bonds.[11]

Thus, the Cincinnati, Cumberland Gap and Charleston came to an end of its separate existence. Not until the next decade, however, was the four mile gap between Wolf Creek and Paint Rock completed, and an outlet to the east secured through the completion of the Western North Carolina Railroad to the Tennessee state line.[12]

Another railroad enterprise of upper East Tennessee that was certainly of no great importance was the Rogersville and Jefferson Railroad. It originated out of dissatisfaction on the part of the people north of the Holston with the location of the East Tennessee and Virginia to the south of the river. The chief supporters of the enterprise were the citizens of Rogersville, who were determined not to be relegated to a state of continued oblivion. Those citizens, accordingly,

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10. "Report of the Comptroller", dated Aug. 3, in Senate Journal, 1868, pp. 66-69.
11. Harrison, op. cit., pp. 707-708.
12. Ibid., pp. 709-710.

set about to secure a connection with the proposed East Tennessee and Virginia road. To this end the Rogersville and Jefferson Railroad Company was chartered by the General Assembly in 1852. The proposed road was to extend from Rogersville to Bull's Gap, a distance of fourteen miles, where it was to effect a connection with the East Tennessee and Virginia. Although there was no provision in the charter for state aid, special legislation made such aid available to the company before the legislature adjourned.[13] There was little to merit the incorporation of the company. The only purpose of its incorporators was to service Rogersville, which, at that time was little more than an agricultural village. Had there been coal mines or other resources that demanded transportation facilities, the undertaking might have been justified. Such, however, was not the case. How the people hoped to finance such an undertaking remains a mystery.

Naturally nothing was done on this branch line until the plans of the East Tennessee and Virginia began to materialize. Even then, it was necessary for the legislature to grant the company special privileges. By way of encouragement, the General Assembly in February, 1856 modified the provisions of the law regarding state aid so as to provide that when the first section of the road, from the inter-

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13. Acts, 1851-52, pp. 654-656.

section with the East Tennessee and Virginia to the Holston, had been placed under contract, and the bridge across the river contracted for, the company might draw the maximum amount allowed for bridge construction. The same act also provided that when that section, 10½ miles, should be graded the company would be entitled to draw bonds for ironing the road to the river.[14] This legislation enabled the company to draw $159,000 in bonds from the state; and with this assistance, the section from Bull's Gap to the Holston River was completed and put in operation before the war. Some work was also done on the river bridge, and the remaining four miles of the line was partially graded before the Civil War arrested further progress.[15]

The Rogersville and Jefferson suffered greatly due to the war. Iron was on hand to complete the road before hostilities began. These rails and also the superstructure on the bridge were appropriated by the United States military authorities which took control of the road in 1863.[16]

In 1865 W. C. Kyle was elected president of the company. That post he retained until January 1, 1870 when he was made receiver of the road.[17] Under the direction of Kyle, work was resumed. The grading on the road north of the river was

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14. Ibid., 1855-56, p. 476.
15. "Report of the Commissioner of Roads" for the year ending June 30, 1865, in House Journal Appendix, 1865-66, p. 191.
16. Ibid.
17. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 236.

completed, and on April 24, 1866, the company drew $55,000 from the state to finish laying the track.[18] As a result of the act of January, 1866, which provided for rehabilitation of railroads of the state, the officials of the company drew $100,000 additional bonds in May. On November 30, a further loan of $41,000 was obtained, being the remainder of the promised bridge aid.[19] With this financial assistance the road was again put into running order to the Holston and completed to Rogersville during 1867, though the bridge was not completely finished until sometime later.[20]

Meanwhile, the Rogersville and Jefferson, being so heavily indebted to the state, and having scant resources of its own, had defaulted in interest payment to the state. As a result of this, the governor, in October, 1867, placed Charles J. McKinney in charge of the road as receiver. This act proved advantageous to the company, for the receiver was able to attach thirty bonds which had been held up in New York due to the failure of C. Powell, Green and Company.[21] Pending the release of the bonds, the state advanced thirty other bonds for the completion of the bridge. This was not an additional loan, for the receiver was forced to give security for the return of the thirty bonds when those in New

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18. Ibid., p. 235; Harrison, op. cit., p. 916.
19. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 236.
20. Harrison, op. cit., p. 916.
21. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 237.

York should be released.[22] Even under receivership, however, the company was unable to meet the interest payments due the state; and it was therefore included in the list of companies to be investigated by the Select Committee of 1870.

This committee reported, among other things, that the subscriptions of counties and individuals paid in amounted to only $65,000 as compared to $385,000 borrowed from the state; that bonds were sold for less than par, and proceeds of bonds to the extent of $10,564.80 were used to make interest payments to the state; and that the road was operated at a deficit.[23]

These facts led to the inclusion of the Rogersville and Jefferson road in the list of bankrupt roads offered for sale by the state in 1871. During the following year Joseph Jacques, acting for the East Tennessee, Virginia and Georgia bought the line for the sum of $23,000 in depreciated bonds, being equivalent to $15,548.91 in cash.[24] Thus the road was sold for less than the annual interest payment due the state.

Since the revenues of the road did not merit the expenditures necessary to make the Holston River bridge safe, the new owners sold the road to W. P. Elliott in 1873. The latter abandoned the use of the bridge and operated that portion of the line north of the river by horse power. Apparently,

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22. Acts, 1867-68, p. 187.
23. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, pp. 235-239.
24. Harrison, op. cit., pp. 917-918.

Elliott never paid for the road, for in 1877 the property was again sold, the price being only $10,000. H. M. Aiken, the purchaser, held the road for seven years, during which time he rebuilt the Holston bridge and put the road in excellent condition.[25] Rogersville wanted a railroad connection. Her wishes were gratified but the state of Tennessee paid the bill.

At a later date, after the Rogersville and Jefferson had become a part of the Southern Railway system, it was extended to Moccasin Gap, Virginia. At that point it connects Bristol with the Louisville and Nashville road at Appalachia, Virginia.

Another truly minor railroad development of East Tennessee during the post-bellum years was the East Tennessee and Western North Carolina. It was the only East Tennessee railroad chartered after the war upon which construction was done during the reconstruction period. The company was chartered by an act of the legislature on May 24, 1866[26]

> for the purpose of constructing a railroad from the East Tennessee and Virginia Railroad, commencing at either Carter or Johnson Depots on the said road, running by way of Elizabethton, Doe River Cove, and Crab Orchard to the North Carolina line, near Cranberry Iron Works,...

The same law promised aid to the company under the same conditions and penalties as those laid down in the law of 1852.

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25. Ibid., pp. 919-920.
26. Acts, 1865-66, pp. 260-263.

Further, the act specified that the whole length of the road, 30½ miles, must be graded before state aid would be available for ironing the road.

Unlike the Rogersville and Jefferson, the East Tennessee and Western North Carolina road played an important part in the development of East Tennessee's natural resources. When finally completed, the magnetic iron deposits of Carter County, as well as the Cranberry mines of western North Carolina, were made profitable.

Apparently, little or no stock was sold, for in January, 1868, the original charter was revived and books authorized to be reopened.[27] Stock subscribed amounted to only about $40,000, but the amount paid in to the company has not been determined. Liberality on the part of the state of Tennessee apparently made it unnecessary for individual subscribers to worry about making payments.

Although the company was not chartered until after the war the second and third rehabilitation laws of 1866 and 1867 awarded the East Tennessee and Western North Carolina company $150,000 and $100,000 respectively. Furthermore, under the provisions of an act passed December 16, 1868, which provided that aid might be drawn for ironing the road after certain sections of the road had been graded, the company drew $150,000.[28]

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27. Ibid., 1867-68, pp. 96-97.
28. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, p. 61.

With the proceeds derived from the sale of state bonds work was begun on the road under the presidency of E. Simerley, with C. A. Mee as his engineer.[29] The route, though it followed the line of least resistence over its thirty miles of length, encountered tremendous engineering problems. During 1869, fifteen miles of the road was graded from Johnson City eastward.[30] Five miles of track were laid and three bridges were built across rivers and two across creeks. In the first section graded a tunnel 307 feet long was bored through solid rock.[31]

Construction on the road was halted during the latter part of 1869 or the early part of 1870. Insufficient funds was one cause for this. Likely, too, the miserable plight of the Mineral Home Railroad, which will be discussed later in this chapter, had something to do with the discontinuance of work. The latter company was contemplating a connection with the East Tennessee and Western North Carolina at Doe River Cove.[32]

Having defaulted in the payment of interest in 1869, the company was subjected to investigation by the Joint Select Committee in 1870. The committee found that the work done on the fifteen miles of road had cost less than $10,000 per mile; yet all but 40 of the 400 bonds received by the company

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29. Ibid., pp. 62-64.
30. Ibid.
31. Ibid.; Whig, Jan. 28, 1870.
32. Acts, 1868-69, p. 228.

had been negotiated. What disposition was made of the remainder of the proceeds of the bonds is not known, except that a small part of the proceeds was paid back to the state as interest.[33] In view of these discoveries, the road was naturally offered for sale by the state in 1871. Just when the road was sold has not been determined, but the price obtained was $20,000 in depreciated bonds.[34]

Meanwhile, the enterprise slumbered for several years. In May 1875 the Knoxville Whig and Chronicle announced that the Pennsylvania Steel Company had purchased the East Tennessee and Western North Carolina Railroad and the Cranberry Iron Works of Carter County.[35] The same paper also suggested that the Pennsylvania company intended to begin work at once on the road. However, little or no work was done on the line during the next two years. Again in 1878 the Pennsylvania capitalists were reported ready to begin work on their road on a narrow gauge scale from Johnson City to the world-famous magnetic iron deposits at Cranberry, North Carolina.[36]

This time construction was actually resumed, although along a slightly different route.[37] Under the leadership of General Arlo Pardee, Jr., and his superintendent and engi-

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33. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, pp. 59-64.
34. "The Governor's Message", in House Journal Appendix, 1883, p. 321.
35. Whig, May 5, 1875.
36. Chattanooga Dispatch in Whig, Feb. 20, 1878.
37. Acts, 1879, p. 72.

neer, the line was speedily completed, as a narrow gauge road, to the Cranberry Iron Works in North Carolina. Henceforth, the East Tennessee and Western North Carolina was operated by, and principally for, the Cranberry Iron and Coal Company. That company spent more than a million dollars in the construction and equipment of this road which passed... "through narrow mountain gorges and by a route which had been pronounced impracticable...."[38] Thus the East Tennessee and Western North Carolina reached its goal, being among the few railroads of the state to attain that distinction.

Although this study concerns itself chiefly with railroads upon which some actual construction was done, there is one company which, although it may be characterized as a miserable failure, must not be overlooked. Since this "paper railroad" deserves to be forgotten it will be given only brief consideration here. That corporation, the Mineral Home Railroad, never even so much as conducted a survey of its route.

This company was chartered by the General Assembly of Tennessee in 1852 under the name of "Atlantic, Tennessee and Ohio Railroad Company". Its purpose as set forth in its charter was the construction of a railroad to run

> between Charlotte, North Carolina, and some point on the East Tennessee and Virginia Railroad at or

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38. A Descriptive Review of the Industries and Resources of Upper East Tennessee. Published by the Enterprise Publishing Company, Knoxville, 1885, pp. 25-26.

> near Jonesborough, in Washington County, and from such connection by way of Moccasin Gap of Clinch Mountain in the State of Virginia by the most practicable line to the headwaters of the Big Sandy River; thence the most eligible route to the Ohio River,... and shall be required to build only so much of the road as the means of the company will permit.... 39

In 1855 the Atlantic, Tennessee and Ohio was incorporated in the state of North Carolina. Since the Tennesseans made no pretense of carrying out the plan, the North Carolina legislature modified the charter so as to restrict the activities of its citizens to that state.[40]

If there was any intention of building the portion of the line within Tennessee, it certainly found little expression during the anti-bellum years of its existence. By way of encouragement, the legislature held out the promise of state aid and renewed the charter of the company by a series of provisions which were principally "riders" on other railroad bills.[41]

After the war between the states, the road in question adopted a less ambitious undertaking. In 1866 an act of the legislature granted the company power to change its route and restrict its activity to Tennessee. This act also held out the promise of state aid and allowed the road a further time limit of four years within which to commence work.[42] The

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39. Acts, 1851-52, p. 356.
40. Harrison, op. cit., pp. 172-174.
41. Acts, 1855-56, p. 454; 1857-58, p. 326; 1859-60, p. 543.
42. Ibid., 1865-66 (Second Session), pp. 268-269.

omnibus appropriation act of December 10, 1866, made $100,000 available to the road.[43] Still no work was done.

On December 14, 1867 the charter of the Atlantic, Tennessee and Ohio was replaced by a new one which adopted the name of "Mineral Home Railroad". The new charter provided that the company should reorganize and open books for subscription for 10,000 shares of stock at $25 each. When 500 shares were sold and one dollar paid on each, the company might proceed to elect officers and make a survey of the route. The Mineral Home was to have all the privileges, immunities and state aid promised the Atlantic, Tennessee and Ohio.[44]

That insufficient stock was sold to warrant organization is evidenced by the fact that an act of the legislature, passed on March 5, authorized the commissioners to keep the books open for subscription until the prescribed 500 shares were sold.[45] Within the next few months, subscriptions to 767 shares of stock were obtained, and the stockholders were able to effect an organization of the company. Thomas S. Smyth was elected president.[46]

In January, 1869 the Mineral Home was empowered by the General Assembly to locate its road so as to intersect the East Tennessee and Western North Carolina at Doe River Cove

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43. Ibid., 1867-68 (Second Adjourned Session), pp. 11-12.
44. Ibid., 1867-68, pp. 52-56.
45. Ibid., pp. 172-173.
46. "Report of the Joint Select Committee" on the Mineral Home Railroad, in House Journal Appendix, 1870-71, pp. 199-200.

in Carter County, and run by the most practicable route to Taylorsville in Johnson County. This, of course, was subject to the approval of the East Tennessee and Western North Caroline officials.[47] Since nothing was done relative to this provision, the legislature, in an effort to incite activity, provided that the Mineral Home might consolidate with either the East Tennessee and Western North Carolina, or the Norfolk and Great Western Railroad.[48] The latter road proposed to consummate the original plans of the Atlantic, Tennessee and Ohio. Not even these provisions stimulated the Mineral Home enough to take definite action, although there was some talk of effecting the consolidation with the Norfolk and Great Western.[49]

At the meeting of the stockholders held in 1869, a board of directors was elected, which in turn elected officers for the company. It was claimed that the newly elected president, Hawkins P. Murphey, had cast too many votes, hence a new election was held. As a result of the second election, J. W. N. Grayson was chosen president. During the remainder of the existence of the Mineral Home, there were two boards of directors and two sets of officers, each claiming to be the representatives of the stockholders. Grayson and his board were, however, more generally recognized. Murphey, who had

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47. Acts, 1868-69, p. 149.
48. Ibid., p. 229.
49. Whig, May 8, 1870.

formerly been treasurer of the company, continued to hold what funds he had collected on stock sold.[50]

In October, 1869, the company drew the $100,000 in state bonds promised the road in 1866. The state directors had signed the affidavit which petitioned state aid and which affirmed that the provisions of the internal improvement laws had been fulfilled.[51] Investigations conducted by the legislature later revealed, however, that the company had neither hired an engineer, nor even made any experimental survey of the proposed route. In further violation of the laws of Tennessee the bonds had been negotiated at forty-three cents on the dollar.[52]

The above revelation was sufficient to put an end to the existence of the Mineral Home Railroad. This was done by an act of the legislature passed in December 1870.[53] In order to protect itself from the fraud, the state repudiated the bonds issued to that company.[54] Simultaneously, the state attached about $35,000 which Grayson had placed in a Knoxville bank. In 1883, Governor Bate recommended to the legislature that in view of the fact that the bonds had been

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50. "Report of the Joint Select Committee", in House Journal Appendix, 1870-71, pp. 199-200.
51. Ibid.
52. Ibid., pp. 198-202.
53. Acts, 1870-71, p. 1.
54. Stanley J. Folmsbee, "The Radicals and the Railroads", in Hamer, op. cit., II, p. 671.

repudiated, it would be only just to distribute the $35,000 obtained by the attachment among the purchasers of the Mineral Home bonds.[55]

55. House Journal, 1883, pp. 330-331.

CHAPTER II

Consolidation and Expansion of the East Tennessee, Virginia and Georgia Railroad Company

Mention has been made of the construction of the East Tennessee and Georgia and the East Tennessee and Virginia railroads. Although those roads were by no means minor developments they are not given major treatment in this study because they were built during an earlier period. The activities of these two companies cannot be overlooked, however, for they were far-reaching and had a direct influence on other roads discussed more at length. Two developments are already apparent to the reader. The name "East Tennessee, Virginia and Georgia", which has already been used a number of times, implies consolidation of the two roads which connected Bristol with Chattanooga and Dalton. Certain acquisitions have also been mentioned. These two developments will be given more consideration below.

During the early years of the Civil War both the East Tennessee and Georgia and the East Tennessee and Virginia companies enjoyed a brief period of prosperity and paid a

number of dividends in Confederate currency. In 1863, however, the Federal forces seized both roads and held them continuously until the conclusion of the war. When the rightful owners regained control of their properties they made heavy purchases of rolling stock from the government in order to re-stock their almost demolished roads, which fact has already been noted.[1]

Through generous aid from the state both the East Tennessee and Virginia and the East Tennessee and Georgia companies were able to resume operation of their respective roads. Even in September, 1865 the two railroads were reported fairly well on the way toward recovery. The fare had been reduced to five cents per mile.[2] Trains were running daily. Time tables of the following year show one passenger and one freight train running each way daily on each line.[3]

Having completed their respective roads the interests of the East Tennessee and Georgia and the East Tennessee and Virginia thenceforth became necessarily common. This mutual interest manifested itself as early as 1860. In that year the stockholders of the East Tennessee and Virginia appointed a committee to confer with the officials

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1. Harrison, op. cit., p. 657; Jonesboro' Express, July 3, 1863; Whig, Nov. 17, 1869; Chronicle, Jan. 7, 1871.
2. Whig and Rebel Ventilator, (Knoxville) Sept. 6, 1865.
3. Whig, Oct. 17, 1866.

of the sister line relative to consolidation of the two roads.[4] Apparently little or nothing more was done until the war put an end to the negotiations.

The chief handicap to consolidation was the fact that the state was a stockholder in the East Tennessee and Georgia road. In 1866 the legislature transferred the state's interest in the East Tennessee and Georgia to various turnpike companies to aid that form of transportation.[5] Officers of the East Tennessee and Virginia proceeded to buy up much of the stock from the turnpike companies. In 1879 the joint committee investigating the state debt revealed papers of the deceased Thomas H. Calloway which showed that a secret agreement had been made in 1867, which eventually led to consolidation. Thomas H. Calloway, John R. Branner, R. C. Jackson, C. M. McGhee, R. T. Wilson, and Joseph Jaques, officers of the two roads were involved in this agreement. According to this compact Branner, McGhee and Calloway were each to subscribe $33,333.33 1/3 toward a common fund, while Wilson was to subscribe only $32,333.33 1/3. Thus a joint stock company was secretly formed to buy up the available stock of the East Tennessee and Georgia Railroad.[6] Henceforth, both companies were operated more or less as a unit,

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4. Harrison, op. cit., pp. 664-665.
5. Acts, 1865-66, p. 252.
6. "Joint Committee Report on the State Debt", in House Journal Appendix, 1879, pp. 156-158.

for in 1869, before consolidation was finally effected, Thomas H. Calloway was president of both roads.[7]

On November 25, 1869 the stockholders of the East Tennessee and Virginia met in Knoxville. After reciting financial difficulties under which the road was laboring, Colonel Calloway suggested consolidation as a panacea for the difficulties of both lines. Resolutions were adopted to the effect that a committee be appointed to confer with officials of the sister road.[8]

Apparently the stockholders of the East Tennessee and Georgia met on the following day. At this meeting Colonel McGhee, acting for the stockholders of that road, accepted the proposal to consolidate the two roads.[9] Inventories of the two companies were made by a joint committee, their findings being as follows:[10]

East Tennessee and Georgia Railroad

Assets	$5,215,185.84
Liabilities	3,593,971.68
Net assets	1,621,214.16

East Tennessee and Virginia Railroad

Assets	$4,801,769.16
Liabilities	3,334,053.19
Net assets	1,467,713.97

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7. Whig, Dec. 1, 1869.
8. Ibid., Nov. 26, 1869.
9. Ibid.
10. Harrison, op. cit., p. 667.

Details of the consolidation were speedily worked out and the merged roads assumed the style of East Tennessee, Virginia and Georgia Railroad Company. On November 29, the directors of the consolidated line elected the following officers:[11] Thomas H. Calloway, President; Joseph Jaques, Vice President; R. C. Jackson, Superintendent; and J. G. Mitchell, Secretary and Treasurer.

The newly formed corporation began its work under obligation to retire the inherited state debt amounting to more than four million dollars.[12] To meet this overwhelming obligation the officials issued mortgages on the road. Bonds of the state were bought on the market at an average of fifty-five per cent of their par value and turned in to the state at par value, thus satisfying the claims of the state against the East Tennessee, Virginia and Georgia.[13] The company put its road in excellent shape. Much of the old rolling stock was reconditioned and two new engines were bought. New stations, too, were added.[14]

The East Tennessee, Virginia and Georgia was now ready to launch out on its career of expansion by acquisition. Early in 1871 interest was shown in the bankrupt Rogersville and Jefferson Railroad.[15] The officials of the larger system, however, decided upon the wise policy of waiting

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11. Athens Post, Dec. 3, 1869.
12. Harrison, op. cit., p. 670.
13. Ibid., p. 672.
14. Chronicle, Nov. 6, 1870; Feb. 11, 1871.
15. Ibid., Feb. 9, 1871.

for the state to foreclose its lien on the Rogersville and Jefferson. In March, 1872 that road was bought from the state for the sum of $23,000 in state bonds,[16] as pointed out elsewhere. However, this unprofitable road was soon disposed of, although it was re-acquired at a later date.

Decidedly more interest was shown in the Cincinnati, Cumberland Gap and Charleston road. That line was already an important "feeder" to the larger company, and had some promise of an outlet to the east over the Western North Carolina Railroad. Although the legislature had made it possible in 1869 for the Cincinnati, Cumberland Gap and Charleston to be leased for a period of years,[17] the East Tennessee, Virginia and Georgia did not avail itself of that opportunity. Again the policy of waiting for the defaulting road to be offered for sale by the state seemed expedient. On October 10, 1871 the commissioners of the state offered the Cincinnati, Cumberland Gap and Charleston for sale at a price of $700,000. C. M. McGhee and R. T. Wilson, were, however, able to purchase the road for $300,000 in state bonds,[18] and turned the line over to their company.

When the above line was purchased, there was little hope for a connection at Paint Rock with the Western North Carolina. The latter road had become involved in a financial

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16. Harrison, op. cit., p. 918.
17. Acts, 1869-70, p. 652.
18. Harrison, op. cit., p. 707.

maze with the State of North Carolina and also with its bondholders.[19] However, in 1872 the East Tennessee, Virginia and Georgia bought the dubious claims of one Rufus Y. McAden against the Western North Carolina.[20] After some years of litigation over its titled interests that company relinquished all claims against the Western North Carolina.[21] This road, when completed, would be a great asset to the growing system of roads of the East Tennessee corporation. The charter of the Western North Carolina provided for the construction of a road from Salisbury, North Carolina, through Asheville to the Tennessee line at Paint Rock.[22] By 1873 the road was in operation to Old Fort, a distance of one hundred and eighty miles. Some grading had been done on the line west of Asheville. As yet, however, no road had surmounted the lofty mountains to Asheville.[23] Natural obstacles were not the only difficulties that barred the East Tennessee, Virginia and Georgia from an outlet to the southeast.

More successful were the efforts of Messrs. Wilson and McGhee in extending their influence to the west. Possibly, considerable stock had been acquired in the Memphis and Charleston Railroad, a system of roads which extended from

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19. Ibid., p. 674.
20. Ibid., p. 283.
21. Ibid., p. 674.
22. Ibid., pp. 281-282.
23. Chronicle, April 23, 1873.

Chattanooga to Memphis. In 1875 Colonel McGhee was elected vice president of that company.[24] That company, like many of its sister companies of the South, was having financial difficulties. Hence, the East Tennessee, Virginia and Georgia experienced little difficulty in securing a lease on the Memphis and Charleston. This transaction was consummated in 1877 and remained operative for ten years.[25] Ultimately this road, under the control of the East Tennessee, Virginia and Georgia, became a part of the Southern Railway system.

The last acquisition of the East Tennessee, Virginia and Georgia that was effected during the period with which this study concerns itself was the Knoxville and Kentucky. Much interest had been shown in that road. For some years an interlocking directorate was in evidence. Among the directors of the Knoxville and Kentucky were such names as T. H. Calloway, R. T. Wilson, C. M. McGhee, and R. C. Jackson;[26] C. M. McGhee had been president of that line since 1870.[27] The stockholders of the East Tennessee, Virginia and Georgia had been able to buy sufficient stock in the Knoxville and Kentucky to effect the purchase. Negotiations were completed in 1881, whereby that road was

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24. Whig and Chronicle, Sept. 15, 1875.
25. Harrison, op. cit., p. 675.
26. Whig and Chronicle, Dec. 10, 1879.
27. Chronicle, Nov. 6, 1870.

acquired for the sum of $1,808,745.72.[28]

The East Tennessee, Virginia and Georgia continued its policy of expansion by acquisition, consolidations, and leasing other roads for a number of years. Ultimately it merged with the Richmond and Danville system to form the nucleus which grew into the Southern Railway system.

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28. Harrison, op. cit., p. 875.

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