

A Currier and Ives lithograph of the rivalry between “Commodore” Cornelius Vanderbilt and the Daniel Drew prodigy Jim Frisk of the Erie Railroad. LIBRARY OF CONGRESS

The Commodore’s Game

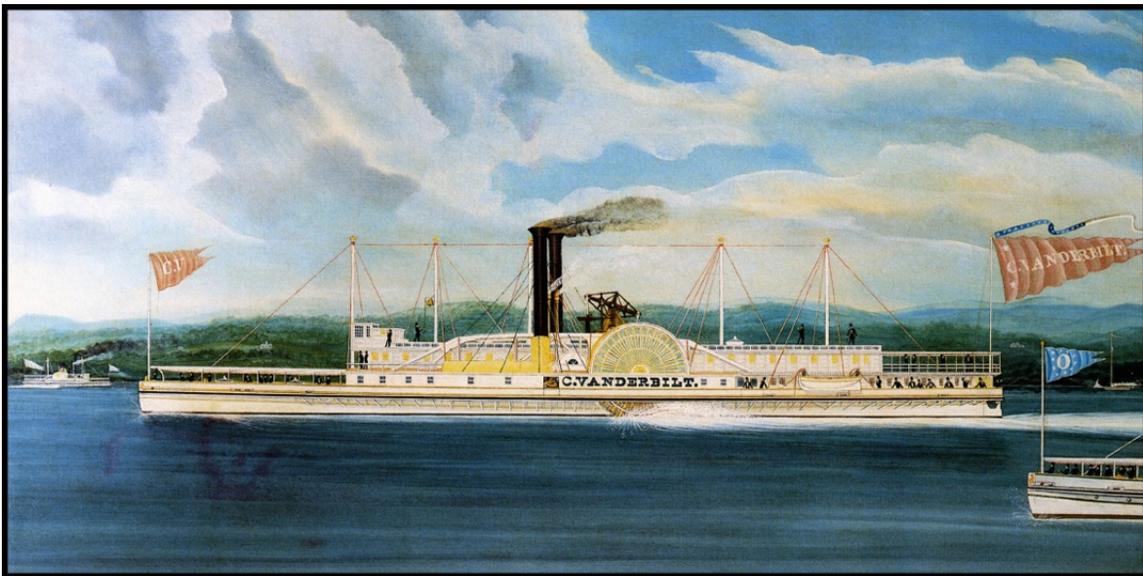
Cornelius Vanderbilt Builds a Railroad Empire

Enter into our story “Commodore” Cornelius Vanderbilt, a financial wizard who by the time he entered into the railroad industry, had already made his fame and fortune in the cutthroat world of steamboats and steamships, where if Mother Nature didn’t try to sink you, your human competitors would.

With no formal education, as a teenager Vanderbilt (born in 1794) started off in the navigation business with a sailboat ferry between Staten Island and Lower Manhattan. Becoming an early steamboat captain in 1817, by the 1830s he was an entrepreneur and stock manipulator. A competent, patient, principle, yet ruthless capitalist, famously the Commodore is apocryphally credited with saying: “You have undertaken to cheat me. I won’t sue you, for the law is too slow. I’ll ruin you.”

The nickname “Commodore” came from Vanderbilt’s battles with the Hudson River steamboat monopolies, his eventual dominance of steam navigation in the Long Island Sound, ownership of the Staten Island Ferry, transport of California Gold Rush passengers through Central America, and a dalliance with trans-Atlantic steamship service. Once a common nickname for steamboat line owners – the name coming from the US Navy rank for a senior captain commanding a flotilla – the moniker became synonymous with Vanderbilt. During the American Civil War, the steamship tycoon donated his large and fast 331-foot long and 3,360 tons displacement SS *Vanderbilt* to the Union Navy, becoming the cruiser USS *Vanderbilt*.

The Commodore’s first interest with railroading came from the connections they offered his steamboats in New England. In 1847 he became the president of the New York, Providence and Boston Railroad, the “Stonington Line” offering a New York-Boston rail and steam connection from Stonington, Connecticut; that avoided sailing around Cape Code and multiple rail ferries to the west in Connecticut. Stonington Line would eventually be merged into the New York, New Haven and Hartford Railroad, its mainline now part of Amtrak’s electrified Bos-Wash Northeast Corridor.

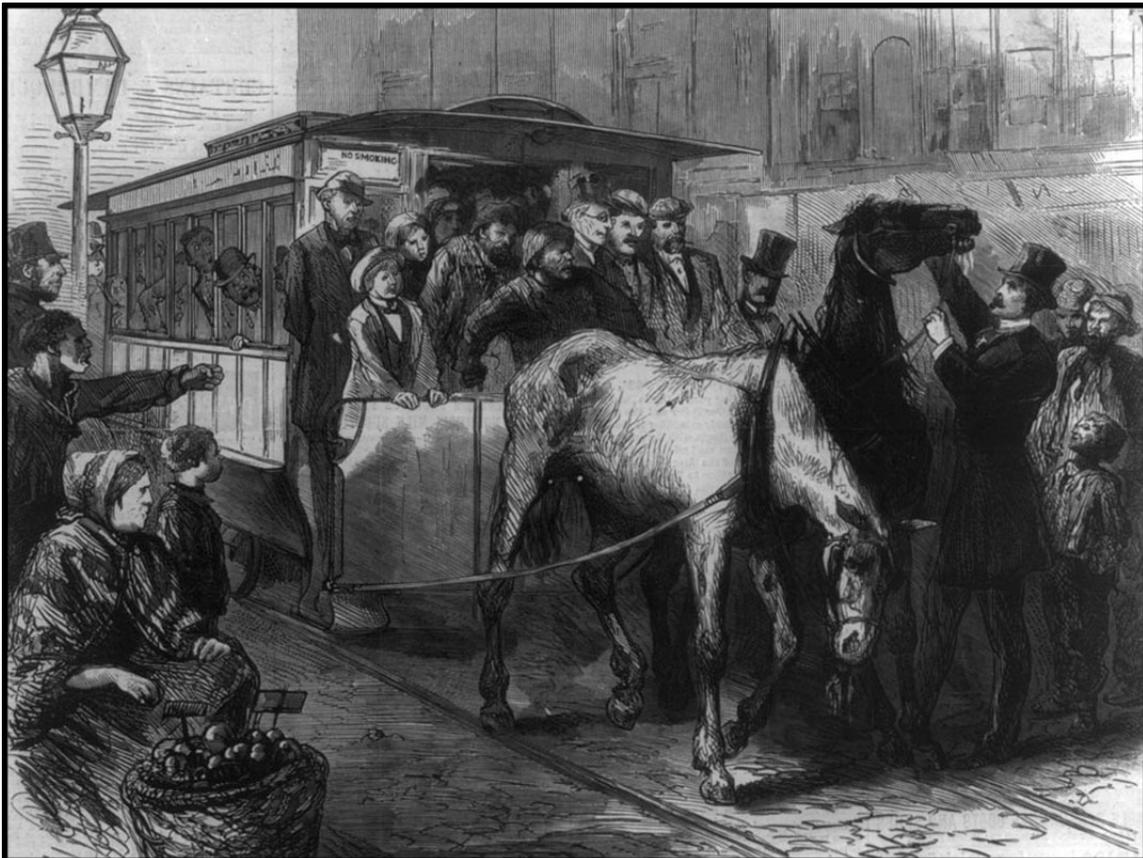


The steamboat *Cornelius Vanderbilt* operated on the Stonington Line run, painting by maritime artists James and John Bard. PUBLIC DOMAIN WIKIPEDIA

The steamboats making the New York-Stonington connection were owned by Vanderbilt and his partner Daniel Drew. During this time Vanderbilt challenged a competitor with a new fast luxury boat to a steamboat race. During the 70-mile Battery-Ossining roundtrip

race with the Commodore at the wheel of his *Cornelius Vanderbilt*, there was a mid-race collision and the burning of furniture by the opponent's *Oregon* when their coal ran out. Vanderbilt lost by 1,200 feet, but Drew solved the problem the next year by buying the *Oregon*, putting it in service on the Hudson River under his People's Line of Steam Boats.

As time went on the Commodore grew more wary of investing in river and coastal steamboats as competition increased from railroads, the traveling public given their druthers, largely choosing the speed of trains over price and comfort of steamboats. In 1863 after investing in several railroads – including helping Drew keep the Erie Railroad out of bankruptcy – the Commodore acquired control of the New York and Harlem Railroad.



Before the elevated railroads, electric streetcars, and the modern subway, there was the horsecar railways of New York City, the Harlem being the first one. LIBRARY OF CONGRESS

The Harlem Line was one of the earliest chartered railroads in the United States, but its languid construction was more than matched by the ineptest of management. Starting as a horse drawn street railway in the 1830s it reached Chatham in 1852, where a trackage

rights agreement with the Albany & West Stockbridge Railroad (later merged into the Boston & Albany) allowed it to reach Rensselaer and Troy. To avoid the ire and competition of the Hudson River steamboat companies, its inland route through the rural valleys of the Taconic Mountains was expensive to build with little local traffic.

Worse still, the more energetic Hudson River Railroad was completed first – a case of the late starting hare betting the tortoise – and the New York Central preferred shipping by river steamer anyways. The Harlem tried to attract business through rock-bottom \$1 fares, free and friendly luggage transfers, and by graciously holding its departing trains for connecting passengers – including passengers from the resorts in Saratoga and Lake George; and from the Lake Champlain steamboats at Whitehall – but to little profit. Its shares near worthless, Vanderbilt saw opportunity in the wretched railroad's route through prime Manhattan real estate and bought up its shares, taking control.



A 20th Century stock certificate of the New York and Harlem Railroad Company, its trackage long leased to the NYC&H RR. COLLECTION OF BENJAMIN TURON

Famously in 1862 the Commodore was betrayed by Daniel Drew, his former partner from his steamship days, who as a Harlem corporate director was in cahoots with corrupt politicians – including William “Boss” Tweed – hatch a plot to profit from short selling the Harlem stock by having the just previously approved Broadway horsecar line

concession. "To take a slice out of 'em is as good as nuts and cheese," was a favorite saying of Drew.

On short selling, it involves the borrowing shares from a broker to sell at a high price, to then buy those shares back low, netting a tidy profit. The problem arises if the stock one is betting against rises instead of falls, causing losses. In the Harlem Short, Vanderbilt's large fortune and his wealthy accomplices could afford to keep buying and raise the price, squeezing out the short sellers.

The planned Broadway street railway expansion had caused the Harlem stock to soar to \$140, and its revoking by the city council caused it to fall. Vanderbilt as previously mentioned, successfully countered by "cornering the stock", continuing to buy all available shares with several associates, causing the Harlem stock to rise to a new high of \$150, instead of fall. The city council restored the Broadway horsecar concession to the Harlem.

Daniel Drew after being bested in his failed Harlem went to the Commodore with hat in hand for surrender terms, being credited with composing this doggerel: "He who sells what isn't his'n, must buy it back or go to prison." The Commodore responded with this maxim on short selling: "Never sell what you haven't got."

Vanderbilt's next conquest would be the Hudson River Railroad, begun from the desire of the citizenry of the Hudson Valley not to be left out of the railroad age. They held public meetings and funded several surveys before forming a company, attaining a state charter, and hiring John B. Jervis as chief engineer in 1847 to lead the enterprise.

The railroad was one of the most challenging undertaken to date because of the deep waters of the Hudson, the sheer cliffs rising from those waters, made of some of the hardest rock on Earth. However, with construction averaging 36-miles a year (compared to the Harlem building only 7 miles in its first 6 years) the railroad was completed in four years on October 1st, 1851, with through service from a 34nd Street depot in New York City to Troy Union Station. Horses hauled passenger cars one by one down city streets to a Lower Manhattan station at Chambers Street, a briefly experimentally tried "dummy steam locomotive" that consumed its own fumes proving to be just dumb.

The Hudson River Railroad was built for speed from the beginning, as the line would be completing one-on-one with the well-established steamboats. The right-of-way was designed by Jarvis for double tracking, with tunnels, embankments, and fills built wide

enough for two tracks. Solid iron 70 pound-per-yard rails were used instead of the cheaper strap-iron rails, a thin iron strip on wood rail.

The railroad ordered a fleet of passenger coaches, the wood bodies built by companies in Albany and Springfield with imported wrought iron wheels from Britain, whose design and quality allowed speeds of up to 60-mph. The \$4000 apiece First-class cars seating 52 passengers had mahogany doors with walls of inlaid satinwood, with seatbacks of plush cushions. The lighting was by whale oil lanterns as opposed to wax candles. Second-class coaches had plain decor with wooden seats of common wood. These passenger carriages were hauled by a fleet of new America-type 4-4-0 locomotives that could surpass 60-mph with about a dozen cars.



A Currier and Ives lithograph of the overnight steamboat *Drew* of the People's Line steaming through the Hudson Highlands. LIBRARY OF CONGRESS

In 1853 there were six daily New York-Albany passenger trains, including a morning and evening express running in 4 hours flat, making 5 intermediate station stops, with a fare of \$2.50, 50-cents above the standard fare. An overnight all-stops train with Second-class coaches had an economy fare of \$1.50. Steamboat fares of the time were about \$1.50 for the 8-hour New York-Albany trip. The travel time from New York City to Buffalo via a connecting New York Central train was first 18 hours, before being cut to 14 hours. The connecting New York Central train even included in the early 1850s the first sleeping cars; inspiring an inventive passenger named George M. Pullman to design a better design of sleeping car.

The Hudson River Railroad proved to be a popular line, with ridership above expectations with \$803,121 in passenger revenue 1852. However fierce competition with the steamboats kept fares too low for profitability, the steamboat lines having the advantage of not having to maintain 150 miles of rack, the waters of the Hudson being free to navigate. From 1855 to 1864 the railroad was led by Samuel Sloan, who did what he could to improve the business.

The sidewheeler steamboats of the People's Line and Day Line with their swift hulls, powerful engines, and luxurious accommodations – including spacious parlors, onboard dining, and individual sleeping cabins – were formidable commercial and political foes. Long after being superseded by the railroads, the beautiful “floating palaces” with their white painted wedding cake decks, towering black smokestacks, seesawing walking beam engines, and giant paddle wheels, would remain a feature of Hudson River life till after World War Two. The “Albany Night Boat” was a particularly beloved institution, inspiring Ragtime songs and Broadway plays.



The Amtrak station in Hudson, NY is the oldest operating station of the Empire Corridor, built by the New York Central & Hudson River Railroad in 1874. PHOTO BY BENJAMIN TURON

The precarious financial condition of the Hudson River Railroad made it vulnerable. Just as a cabal of short sellers led by financier Daniel Drew had attack the Harlem stock in 1863, the same gang attack the Hudson River Railroad in 1864. Vanderbilt who had been building up a steady interest in the railroad, defeated them (again) and as majority

stockholder took control. Sloan who was on friendly terms with the Commodore resigned. After a brief tenure as president of the Harlem Railroad, Sloan went on to become the president of the Delaware, Lackawanna, and Western Railroad, serving for three decades starting in 1867.



A late 19th Century lithograph by Currier and Ives of an American Express train racing north on the mainline of the NYC&HR Railroad. LIBRARY OF CONGRESS

With the Commodore in the wheelhouse of both New York-Albany railroads, he set out to solve their primary problems, receiving sufficient rail traffic from the west for sustained profitability. The Hudson River and Harlem railroads had both reached Albany by the early 1850s, with trains able to cross the river to New York Central tracks over the Green Island Bridge at Troy, that had been there since the 1830s. Yet, despite this all-rail connection from Buffalo to Manhattan, the Central still sent the bulk of its passengers and freight south on the Hudson River steamboats, while preferring to ferry across the Hudson at Albany what traffic it did sent the other two railroads at Albany, as opposed to utilizing the perfectly sound bridge a few miles up the river at Troy.

The reason for this seemingly illogical preference for costly and time consuming transshipment was that the Albany investors who had a controlling interest in the New York Central, also had interests in the steamboat lines, with Albany residents also making a lot of money off ferrying passengers, luggage, and freight over the river to

Rensselaer. The politically astute Erastus Corning who was still the railroad's president, was not going to rock the boat by doing more business than what was necessary with the Hudson River and Harlem roads. The Central was profitable and its controlling investors happy, so why change.

The previous poor managers of the north-south railroads had tried to raise a fuse, to little avail, but now under the far more competent and ambitious management of Commodore Vanderbilt, with his son William H. Vanderbilt as his lieutenant, things had changed. An detailed accounting of the Hudson River Railroad's rollingstock and terminal facilities had shown that the railroad – as required by agreement with the Central – was maintaining a large amount of equipment that was not being used to its full capacity outside the winter months, when the river froze, requiring the Central to ship south to New York City by rail.

The image displays three vintage steamboat advertisements for the Peoples Line, arranged side-by-side. Each advertisement is enclosed in a decorative border and features the company's logo at the top. The first advertisement on the left is titled 'Albany to New York' and lists two steamers: 'DEAN RICHMOND' and 'DREW', both captained by Thos. Post. It specifies departure times for Monday, Wednesday, Friday, Tuesday, Thursday, and Saturday, with a departure from Albany at 8 P.M. The second advertisement in the middle is titled 'New York to Albany' and lists the same two steamers. It specifies departure times for Monday, Wednesday, Friday, Tuesday, Thursday, and Saturday, with a departure from Pier 41 at 6:00 P.M. The third advertisement on the right is titled 'ON THE HUDSON RIVER FOR THE North, East and West' and lists destinations including Albany, Troy, Saratoga, and various Adirondack regions. It also lists the names of the steamers and their captains.

Brochure from the late 19th Century for The People's Line of New York-Albany overnight steamboats. COLLECTION OF BENJAMIN TURON

Yet by the mid-1860s some of the Central's investors seeing that the parochial "Albany Regency" couldn't control the Central for much longer, made a deal with Corning or stepdown to become a director, the board electing as the railroad's president Dean Richmond of Buffalo. By all appearance Richmond was a reformer who wanted to play

nice with downstate tycoon. The Commodore – who had been steadily buying stock in the New York Central during the 1860s – sent his son William to Albany to negotiate a better deal.

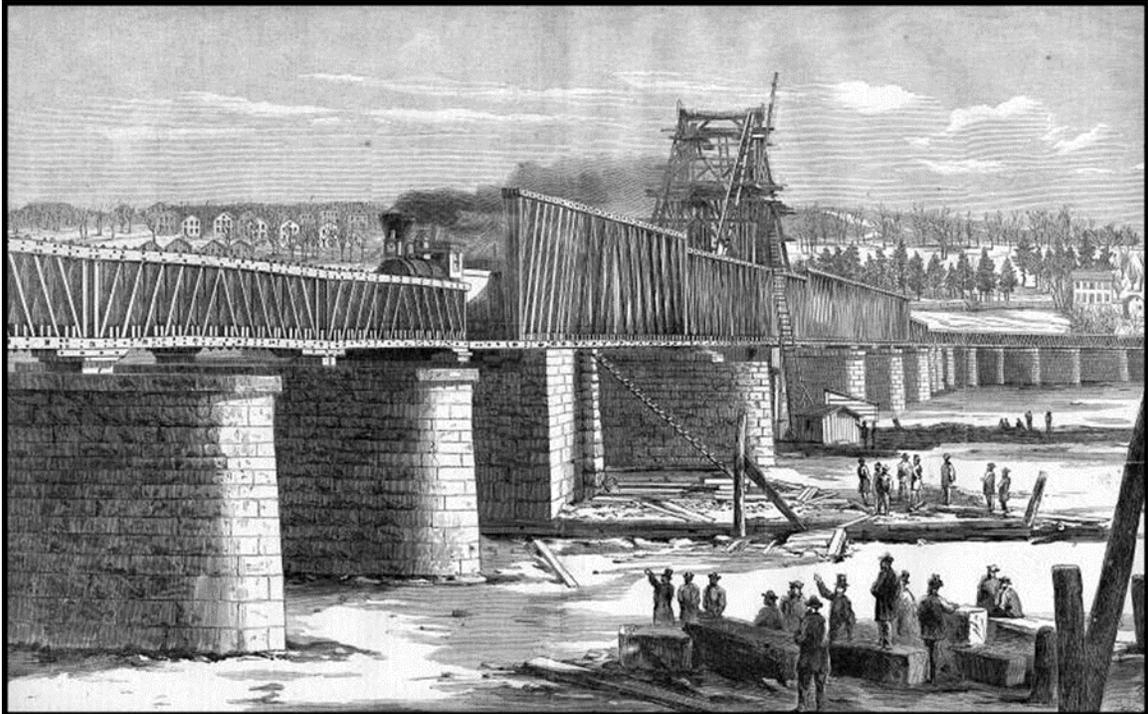
First, the previous agreed upon construction of a rail bridge at Albany – the first generation of the current Livingston Ave Bridge used by Amtrak today – was finalized, with construction commencing. Second, just as the Albany folks had bribed their Troy brethren with their loss-making Troy & Schenectady Railroad into joining the New York Central in 1853, in return for an agreed upon set amount of cars and trains going to Troy, they offered to pay the Hudson River Railroad \$100,000 annually for their underutilized terminal in Manhattan, which William accepted.

The Commodore was not happy with what William came back with; yet it was a start in working towards a better arrangement with the Central and its new president, Dean Richmond. However, through the summer of 1866 William reported to his father that cargo earmarked for the Hudson River Railroad was still ending up on the steamboats. Worse yet was the railroad being built by the New York Central to Athens, south of Albany on the west shore of the river. This little rail line could allow steamboats to be unitized for transshipment later into the season, as the Hudson here froze later, if at all at Athens.

Vanderbilt complained bitterly to Richmond, who promise to live up to his side of the bargain. In an act of good faith and common sense he let the questionably commercially viable Athens line wither on the vine. But then Richmond up and died. Meanwhile a group of outside investors led by William Fargo, the cofounder of Wells Fargo and the American Express Company, launched a financial coup, seizing control of the New York Central, showing the door to the old guard of the Albany interests.

Fargo installed his collaborator Henry Keep as the new president of the New York Central. Fargo wasn't too keen on Vanderbilt, the latter refusing to allow American Express couriers ride in baggage cars of his railroads for free, in return for a bribe of American Express stock. The Commodore did not personally need Fargo's money, but his railroads needed fare paying passengers. Keep loathed Vanderbilt for a previously thwarted railroad merger deal of his and was out for revenge against the Commodore. Keep even made a personal trip to Europe to gather enough proxy votes from overseas investors so that Fargo and his confederates could take control of the Central at the annual shareholders meeting in December.

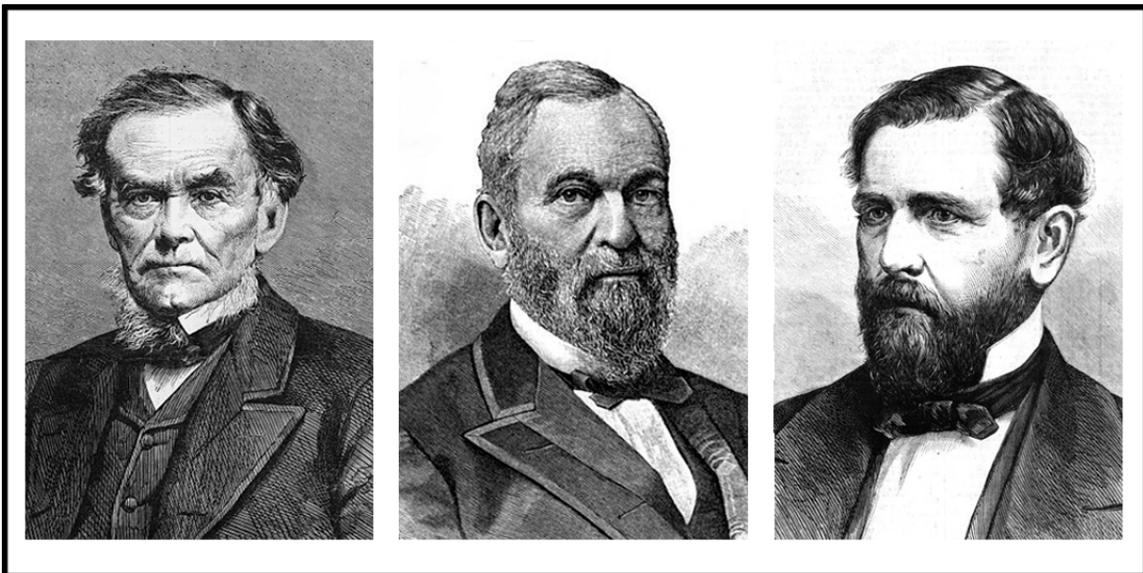
Negotiations between the Keep and the Vanderbilts soon broke down, with the new management resending the previously agreed upon \$100,000 bonus. The Commodore would later tell the New York State Legislature's Railroad Committee that Henry had said to him: "We can live without the Hudson River Railroad; we don't want the Hudson River Railroad." The Commodore sold his stock in the Central, wanting nothing to do with a company "owned by such a set of men" as Fargo and Keep, and bided his time – winter was coming.



The Hudson River Railroad Bridge of 1866, rebuilt 1901-02 as the Livingston Avenue Bridge, currently used by Amtrak and CSX. PUBLIC DOMAIN WIKIPEDIA

A mighty blizzard struck late in December 1866, badly disrupting rail traffic as trains became stranded, the grade of the West Albany hill being impossible to climb for trains hauled by multiple locomotives. The river soon froze over, with the Central as it had done for years before, switch all traffic to the Hudson River Railroad. Except this time the Hudson River would not accept the cars and passengers of the Central. The railroad announced that as the Central had terminated its agreements with them, that the Hudson and Harlem railroads would not except any interchange of freight cars or through ticketing of passengers and their luggage. The newly built railroad bridge at Albany went unused by the Vanderbilt railroads.

The temperature dropping and panic spreading, the Commodore was raked over the coals by the press, the state government ordering its Railroad Committee to investigate. The old sailor and steamboat captain made a point of during the crisis to be seen calmly playing cards at the Manhattan Club. Vanderbilt was asked in testimony before the Railroad Commission on whatever he knew that his embargo was causing passengers burden with luggage to wade through deep snow across the frozen river or the icy rail bridge, or hire a sleigh driver at an exorbitant rates. The Commodore retorted that he did not, because he never allowed disturbances when playing cards, one having to keep their eyes on the game.



Engravings of Daniel Drew, William Fargo, and Henry Keep. VARIOUS PUBLIC DOMAIN

With the Central's shareholders crying bloody murder towards the new management, Keep was beside himself in trying to find an alternative to Vanderbilt's lines. Yet other circuitous routes to New York City over the Boston & Albany, the Erie, and Pennsylvania (alternatives helpfully suggested to the public by the Hudson River and Harlem lines in advertising) were just more trouble than they were worth.

Adding to Keep's misery, the Commodore, a financial wizard who seemed to get tips from the Oracle of Delphi, had also successfully counter Fargo and Keep's attempt to sell short the stock of their own railroad as its price fell! With the Central's stock pricing plunging along with the outdoor temperature, Vanderbilt and his allies quickly bought up the depressed shares.

In testimony to the Railroad Committee, the old Commodore when asked why he did not seek redress through the law from breach of agreements with the New York Central, including the rescinded \$100,000 bonus, he replied: “The law, as I view it, goes too slow for me when I have the remedy in my own hands.” When asked about the inconvenience to the angry public, the Commodore answered: “I have always served the public to the best of my ability. Why? Because, like every man, it is in my interest to do so, and put to them as little inconvenience as possible. I don’t think there is a man in the world who would go further to serve the public than I.”



Engravings of Cornelius Vanderbilt and William H. Vanderbilt. VARIOUS PUBLIC DOMAIN

The Commodore’s tactics against the clique of Fargo and Keep were honed during his wet, rough, and tumble days of steam boating. In competing against the monopolistic Hudson River Steamboat Association cartel in 1834, Vanderbilt, well financed from other ventures, kept lowering the New York City-Albany fares for his steamboats till they reached zero. The Commodore had discovered that he could cover the operating costs through the onboard sale of food and drink, the prices of which he raised. After the river froze over in December of 1834, the cartel generously paid Vanderbilt to practice steam navigation in other waters, which with cash in hand he happily did.

The testimony of the Commodore, his son William H. Vanderbilt, and other witnesses to the Railroad Committee turned the public relations battle against the New York Central.

On the third day the committee chairman received a telegram from a W.H.V. stating that: "Satisfactory arrangements having been made between Hudson and Central roads, the trains will connect as usual. The night train will go through tonight." The hearings ended, the New York State legislature soon passing a law forbidding railroads from revoking previously agreed upon through ticketing and baggage agreements.

Victory in hand, the New York Central forced to capitulate to his demands on concerning the interchange of traffic at Albany, and friendly investors on the board of the Central, the Commodore sent Fargo and Keep packing. In December of 1867, the Commodore accepted presidency of the Central, from the other stockholders who owned half the remaining stock, such men including John Jacob Astor Jr. and Edward Cunard, the eldest son of Samuel Cunard, founder of the famous steamship company.



The locomotive No. 37 'Commodore Vanderbilt' of the Rensselaer & Saratoga Railroad, later part of the Delaware & Hudson Railway. LIBRARY OF CONGRESS

The Central by then had found itself in a ruinous rate war with the Erie Railroad – which ran from Buffalo to New Jersey, opposite New York City – that was controlled by Vanderbilt's once occasional collaborator and now often opponent Daniel Drew, and the Central's stockholders wanted a steady and experience hand at the helm of the railroad. By the end of 1869 he had successfully merged his combined rail interests into the New York Central & Hudson River Railroad.

After the New York Central, the Commodore added the Lake Shore and Michigan Southern Railway his empire, by defeating Keep and friends again. Taking advantage of the 1869 financial panic caused by Jim Fisk and Jay Gould attempt to corner the gold market, the Commodore bought Lake Shore shares from desperate indebted sellers,

including Keep's ally LeGrand Lockwood, the president of the Lake Shore and Michigan Southern Railway. Full control would take some time, but the Commodore and company built up a steady financial stake and corporative agreements with the Lake Shore, Michigan Central, and Canadian Southern railroads.

The Commodore would die in on January 4th, 1877 in his New York City home at the age of 82. His vast fortune was worth \$105 million, at a time passenger train fares were two or three cents per mile. Over the next decades under the control of the Commodore's equally as capable son William H. Vanderbilt, the empire of New York Central & Hudson River Railroad would stretch out to Cleveland, Detroit, Cincinnati, St. Louis, and Chicago.

His old frenemy Daniel Drew, raggedy and broke, attended the funeral, dying a few years later. He had finally bested the Commodore in the 1866-68 Erie War, defeating Vanderbilt's attempted hostile takeover of the Erie Railroad by "watering the stock" by printing a flood of new shares, then fleeing to Jersey City with the Commodore's money. After legal injunctions and a contest of bribing the New York State legislature, the two sides came to an agreement with Vanderbilt getting his millions back and Drew keeping the Erie. In 1870 however the old master betrayed by his younger Erie Railroad minions Jim Fisk and Jay Gould, and then bankrupted by the Panic of 1873.

The expansion during the 1870-80s under William H. Vanderbilt brought the New York Central in direct competition with the mighty Pennsylvania Railroad – the self-proclaimed "Standard Railroad of the World" – whose New York-Philadelphia-Pittsburgh-Chicago mainline started at the new Pennsylvania Station open in 1910, a dozen blocks from the Central's own equally magnificent Midtown Manhattan station of Grand Central Terminal. The two railroads competed hard for the passenger and express traffic between New York City and the Midwest for the next century.

Written by Benjamin J. Turon

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