

## Chapter 3 Lesson 2: The Railroads

### The transcontinental Railroad

Although railroads had existed before the Civil War, the boom in railroad expansion came on 1862 with the passage of the Pacific Railway Act, which gave two corporations permission to build a transcontinental railroad. The two companies were the Union Pacific and the Central Pacific; they also received land grants along the railroad right of way.

The Union Pacific Railroad, led by General Grenville Dodge, began moving westward from Omaha in 1865. Those building the railroad faced great difficulties, including blizzards, desert heat, hostile Native Americans, labor and money issues and a shortage of supplies. The company employed thousands of workers (at one point 10,000), many of whom were veterans, former miners, ex-convicts and Irish immigrants.

The Central Pacific Railroad was sold by its founder, Theodore Judah, to the Big Four, Leland Stanford, Charley Crocker, Mark Hopkins and Collis P. Huntington. The Central Pacific Railroad hired thousands of workers from China, who were paid about a dollar a day. The CP had to bring all supplies from the eastern United States.

The work was completed in four years in spite of all the difficulties. On May 10, 1869, the two railroads met at Promontory Summit, Utah and the railroads were joined together by Leland Stanford and other dignitaries.

### The Railroads Spur Growth

After the Civil War, railroad lines began to crisscross the United States. The railroads increased the markets for many items and the railroads themselves used a large amount of supplies. The railroads spurred industrial growth and economic growth. Large railroad companies began to purchase smaller railroads and create an integrated railway system. This integration of the railroads and improved transportation that came with it helped the Southern states a great deal. The railroads also led to the creation of time zones (1883).

### Robber Barons

Since private investors could not raise enough money to build a railroad, the US government gave land grants to the railroad companies. The companies in turn sold much of the land to raise money and became very wealthy in the process. This led to accusations of bribery and fraud.

In 1872, the Credit Mobilier scandal came to light. Credit Mobilier was a construction company set up by stockholders of the Union Pacific Railroad. Acting for both companies, the investors signed overpriced contracts with themselves. UP Railroad paid the inflated bills to CM, even though they were facing bankruptcy. One of the stockholders (Oakes Ames) was a congressman. He sold shares of CM to other congressmen and used their investment to garner more land grants for UP Railroad. During the election of 1872, the issue became public. The investigation of the scandal implicated several politicians,

including Speaker of the House James Blaine, Representative James Garfield (future president), Vice President Schuyler Colfax and James Brooks. In the long run, only two men were censured by the House of Representatives and no one was charged with a civil or criminal charge. It did indicate the level of corruptness in US economics/government.

#### The Great Northern Railroad

Although some railroad owners/operators were robber barons, not all were. James Hill built and operated the Great Northern Railroad without government land grants or subsidies. Hill developed the first railroad to efficiently carry goods in both directions. He identified trade goods popular in China and transported them westward, then filled his train with goods, resources and travelers moving eastward for the return journey. His railroad was the most successful transcontinental railroad and his company was one of the few of the day to never file bankruptcy.