KANSAS CITY RAILROADS: HEART OF AMERICA INFRASTRUCTURE

These remarks are intended to present one perspective on the place of railroads in Kansas City's history and its economic development. Other events and personalities and railroads are described in that history but there is emphasis on the role of the KCSI and its founder. Both ensured Kansas City's unique importance in a national, now international, infrastructure of commerce. It is not too much to say that without the two the geographical advantages of the heart of America would not have been realized. Pathways to the several seas from our deepest national interiors have been from our founding a constant objective. Arthur Stilwell and KCS helped us achieve it, and you will hear of their success.

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Robert Van Horn came to Kansas City in 1851 to start a newspaper. The town was – in the view of many – little more than a "mud hole". Van Horn and his newspaper, The Western Journal, had a profoundly different view of the town and its prospects. In 1857 he wrote, "*Anyone visiting Kansas City in 1858 would wonder why God…first offered the continent to men at its eastern portals, and so long kept the great and glorious West a Terra Incognita to humanity. This is the masterpiece of creation and the perfection to topography."* Speaking to the merchants of his city on Christmas Eve, 1857, when not a mile of railroad yet ran into the city, he boasted Kansas City's great future as a railroad center and forecast a commercial prosperity eventually rivaling that of New York, Chicago, St. Louis, Cincinnati, and New Orleans. "All this", he declared, "was shaped by geography, these great tracings of the Almighty's finger". (The Americans, The Democratic Experience, page 132) Van Horn's forecast was confirmed over time; indeed is being confirmed today.

The U.S. first real national transportation plan was instigated by Thomas Jefferson but visualized and created in Albert Gallatin's Transportation Plan of 1808. His plan contemplated road and canal projects to connect all eastern rivers to the Ohio and Mississippi basins. At this early time Jefferson and others looked to transcontinental pathways to the west to ensure U.S. mastery of the entire continent. ***Emerson's views were widely celebrated: "Trade planted America," he asserted, and "our part is plainly not to throw ourselves across the track," but "to conspire with the new world of new days." He exulted in …"railroad iron" as "a magician's rod" to transform the nation.***

Thoreau, also a fan of railroads in 1830, spoke to this aspiration in the closing passages of Walden as he looked west for our destiny: "Start now on that farthest western way … which does not pause at the Mississippi or the Pacific … but leads on direct a tangent to this sphere, day and night, sundown and moon down, and at last earth down too."

There are many railways and railroads in transportation history and in Kansas City's history. A continental challenge from our beginning, the thirteen colonies struggled with transportation. All of us have read of the long journeys by founding fathers by horse and carriage to Philadelphia for the founding debates and events. In addition, "free land" led to the constant dispersion of the new nation's citizens -- promoted, encouraged and sometimes made wealthy by government grants and real estate development.

At our start, canals seemed the most promising. Local and state government aid both in cash and land grants made the Erie Canal possible. This Canal and its offspring opened up access to midwest grain production for buyers in the well-populated eastern cities and the ports from which it was exported. (**Reference 1**) ***Speaking of the new nation's determination to reach the interiors riches at low cost, Charles Sellers wrote: Only in upstate New York was there a break in the Appalachian mountain barrier that walled off the rest of the Atlantic seaboard from the interior. The Mohawk River, flowing from the west into the Hudson at the head of deep-water navigation near Albany, gave access to a relatively level transport corridor along the south show of Lake Ontario all the way to Lake Erie, with a maximum elevation above sea level of 650 feet. Controlling this corridor, the Iroquois once dominated the trade for interior furs ; the advantages of this vaunted "water level route to the West" should make the New York Central a giant of the railroad age; and in the age of the automobile the New York Thruway would funnel the country's heaviest East-West traffic along this historic thoroughfare.***

For years some New Yorkers had dreamed of cheap water transportation from the Hudson to the Great Lakes… The failure of a state-backed canal company charging tolls demonstrated in the 1790s that state aid and private capital were inadequate and the short route too shallow and steep. Soon New Yorkers were hoping for federal aid to build a far more ambitious canal, independent of natural waterways that would stretch 364 miles from the Hudson all the way to Lake Erie, bypassing Lake Ontario and the Niagara Falls barrier between Ontario and Erie…

Deferred by Embargo and war, the Erie Canal project revived in the postwar boom as the focus of the city's bid for commercial supremacy. The inland surge of population and commodity production made intolerable the transport barriers that clogged the market's advance. Everywhere enterprising Americans turned to government to create the transport infrastructure required for a national market. And now that the market confronted the formidable Appalachian barrier, only the resources of the federal government would suffice. New York's mercantile gentry had long regarded government as an indispensable instrument of market growth. Their turnpikes were built under state-granted charters and rights of eminent domain; Fulton perfected the steamboat under a state-granted monopoly; and the state enforced their auction system. But the federal government had been less amenable to enterprise under the Virginia Republicans.

Too impatient to wait longer for federal funds, Governor De Witt Clinton in 1817 persuaded a Republican New York legislature to finance the Erie Canal itself. Completed in 1825 at a cost of some 47,000,000, the Grand Canal was an instant sensation. Tolls in the first year of full

operation reached nearly $500,000, and soon paid off the entire cost of construction. More important, Clinton's big ditch cut shipping costs between Lake Erie and new York City from $200 to under $9 a ton, and eventually as low as $3 for some commodities. Within a few years it carried $15,000,000 worth of freight annually, twice the amount reaching New Orleans by the Mississippi River, and the figure would near $200,000,000 by midcentury.

Although none of these projects match the Erie's profits or regained substantial western trade from New York, they did galvanize market revolution by dramatically extending the division of labor in each port/hinterland region. As transport gave areas comparative advantage in more specialized production, diverse manufactures developed around the port cities, the adjacent countryside specialized in perishable vegetables, fruits, and dairy products for urbanites, grain and livestock were produced at successively greater distances, and interior towns processed lumber, hides, and grain…

New York itself built connection canals in every direction – between the Hudson and Lake Champlain, the Erie and Lake Ontario, the Erie and Pennsylvania waterways, and around Niagara Falls to link Lakes Ontario and Erie. An Ohio canal connection Lake Erie with the Ohio-Mississippi river system extended the Grand Canal's reach of continuous water transport all the way to New Orleans. Then came a second Ohio connection, an Indiana connection, and eventually an Illinois canal connecting Lake Michigan with the upper Mississippi. By the 1840s, as a consequence, a northeastern sectional economy was integrating the port/hinterland economies and reaching out to create a national market. Though often forgotten, the Erie Canal's cusses enlarged the prospects for interior settlement and prosperity. Indeed Stilwell's own ambitions were direct outgrowths of his grandfather's role in building the Erie Canal. All these results animated Stilwell's western ambitions.

Railways came later. As early as the 1500's, however, "railways" in Europe were used to bring the results of mine production to the surface by man or horse drawn vehicles moving over wooden rails. Slips of iron were used to cover the wooden rails beginning in the 1700's, and the railways, still pulled by horses, began to move coal for short distances above ground. Flanged wheels traveling over all iron rails were in use by the beginning of the 1800's.

Steam locomotives accelerated this use. They were developed in earnest in the early 1800's in England. The first public railroad powered by steam locomotives began operations in England in 1830; its track was 30 miles in length. The U.S. was not far behind. In the U.S., the Delaware and Hudson experimented with a steam locomotive in 1829, but it was the Baltimore and Ohio Railroad which began passenger service in 1831 over a 13-mile route between Baltimore and Ellicollo Mills, Maryland. The earliest steam powered locomotives with regular freight and passenger service also began in 1831 and ran from Charleston to Hamburg, South Carolina.

Within the next few years both railroads and steam locomotives multiplied rapidly along the east coast and by 1850 in all states east of the Mississippi. ***Repeal of the British Corn Laws was***

making northwestern wheat a profitable export rival to southern cotton and conversion of Illinois farmers to market production was accelerated in the 1850s by railroads and Cyrus McCormick's mechanical reaper. These short distance railroads ran mainly outward from major eastern cities and ports and proliferated in the 1850's gradually reaching west. The Baltimore and Ohio Railroad reached St. Louis in 1853. Already, however, there was some consolidation of these short lines – in 1853, ten railroads along the Erie Canal merged to create the New York Central running between Albany and Buffalo, New York. Creation of the New York Central via this consolidation of lesser lines was a premonition of things to come, especially under the watchful eye of New York financiers and investment bankers.

Such rapid growth of the roads was supported by governments at every level. Land grants were used from the nation's earliest days to encourage settlement and industrial and commercial development. The U.S. government began a land grant program for railroads as a means of bringing settlers and enterprise to the midwest and south in the early 19th century. **(Reference 2 presents the land grant scheme for the transcontinental routes.)** These general trends prompted local rail startups, running very short distances from their towns of origin. They were products of hometown merchant and civic leader initiative to attract business and settlement. Such "booster rails" were underway in Kansas City before the Civil War, but their expansion, especially west, was unsuccessful as was their connection to St. Louis, Chicago and other eastern terminals. These rails lacked connections to one another and were further hampered by use of the several gauges (representing the varied distances between rails) of the startup roads. Connections between railroads of varying gauges were tortured affairs. Indeed gauges were not standardized in U.S. rails until 1896. **(Reference 3)**

Sellers again helps understand the uninterested perhaps benefits of demographics and technology: The bourgeois/middle-class cultural offensive peaked when returning prosperity in the early 1840s brought market revolution to culmination in a generation of staggering growth. International trade, multiplying thirteenfold over the Erie Canal between the 1820s and 1850s and twelvefold down the Mississippi to New Orleans, registered a spectacular advance of territorial specialization in production for market.

Seizing on Britain's new railroad technology to both galvanize and symbolize the market's climatic surge, Americans built nearly twice the trackage of all Europe by 1840. The first major railroads sought to capture inland trade for Baltimore, Charleston, and Boston… In the 1840s the United States almost trebled its railway network to 8,879 miles. Local lines cross-hatched the Northeast from lower New England through Pennsylvania, and major East-West links were completed…. Completing a process begun by canals and steamboats, railroads extended market production where water transport could not reach.

As one said, "They were railroads from nowhere in particular to nowhere in general." Such a phenomenon was not peculiar to Kansas City.

Despite these difficulties, railroad innovation was nonetheless well underway in this period, aided by changes in locomotive engineering and the spread of telegraph service. The latter made possible "control by wire" of railroad movements. Charles Minot was the first to initiate the practice on the Erie Railroad in 1851.

In this early period Kansas City got its first inkling of a railroad future as the Hannibal and St. Joseph Railway began to move west in 1851. This railroad, when completed, would give the Chicago Burlington & Quincy a lead in an emerging transcontinental line, but it would bypass St. Louis and Kansas City. **(Reference 4)** Aspirations to connect Kansas City with this new line animated Van Horn's push to build a bridge and railroad north crossing the Missouri.

The Civil War interrupted much of this activity, especially in the south and in the Border States. The war had a constructive effect in many of respects, however. Among other things, pressure to move troops and material promoted increased connectivity between the short lines and standardization of gauges, both of which changes made for improved efficiency and speed. Overall, railroads in wartime taught urgency of movement, necessity of coordination of movement and connection of movement across competitive lines and improved command and control system with telegraph to effect such coordination and more disciplined and rigorous rail management. These lessons were adopted by more or less all the post war rails, and in the "Gilded Age" of finance, facilitated the completion, enlargement and consolidation of the financiers' rail empires.

In the Gilded Age, post-Civil War railroad boom -- by all means "to get there first" -- was the guiding principle. The boom applied the lessons of war "mobilization" (although we did not know what that word could really mean until World War I's "total mobilization") in a frenzy railroad construction. The major focus appeared to be on a transcontinental line tying the nation together, thus realizing the ambition of war leaders. Several "transcontinental" roads were considered. The Pacific Railway Act 1862 fixed eastern terminals at Omaha, (the Chicago preference), as opposed to St. Louis, (preferred by Cincinnati/Baltimore/Philadelphia). Kansas City/St. Louis interests saw that the Omaha route made them a "sprinkler" instead of an artery in a national rail infrastructure. Kansas City was bypassed.

The railroad industry in Kansas City had nonetheless gotten a pre-war start. It was greatly indebted to the parallel development of the Kansas City meat-packing industry. Meat-packing, particularly of hogs, began prior to the Civil War. Those operations were essentially local. By the late 1850's, however, Kansas City was the most important livestock market in the west. The Civil War disrupted these operations. After the war, the most important factor in resumption of the meat-packing industry was development of adequate transportation facilities. This priority emphasized the building of railroads to connect Kansas City with eastern markets and connections with cattle herds and grazing lands in the west. On July 25, 1860 work began on a railroad linking Kansas City by way of the Missouri Pacific Railroad to St. Louis. Five years later the first passenger train from St. Louis arrived in Kansas City. In 1862 the Kansas Pacific Railroad began as a booster railroad building westward from Wyandotte County, and in December, 1866, the railroad built a

bridge across the Kaw River linking Kansas City, Missouri and Wyandotte County, connecting the Kansas Pacific and the Missouri Pacific.

However, the most important event in Kansas City's emerging prominence in rail transportation was completion of the Hannibal and St. Joe Bridge in 1869. This bridge, as Van Horn foresaw, gave Kansas City direct connections to Chicago and eastern railways through the all-important Chicago gateway. By 1877 seven railroads, most of limited length, were operating out of Kansas City.

Arthur Stilwell was yet on the horizon, but Van Horn's work was done. Van Horn's newspaper was the typical booster press for an "upstart entity" as many regarded Kansas City but it could take credit for this civic advance. Later he became mayor, statesman, and congressman. He was always on the political side that was "most good" for Kansas City. Daniel Boorstin, a leading American historian, summarized Van Horn's career*: "Politics was only important for what it could do for Kansas City. His great victory was the construction of the Hannibal and St. Joseph bridges across the Missouri at Kansas City in 1869; this assured (sic) Kansas City's dominance over St. Joseph, Leavenworth, and other rivals, and made Kansas City a great railroad and meat-packing center."* (The Americans, The Democratic Experience, pages 132-133) Van Horn's success was typical of the local ingenuity and innovation which built the railroads covering the nation by the end of the 19th century. As said, the success of these railroad builders can be attributed to a "technology of urgency" and the triumph of boosterism.

By 1880 control of locally created merchant owned railroads increasingly passed to financial interests. All these lines were seen as "feeders" to the east for midwest agricultural products. Capturing and keeping the midwest origins over these feeder lines was the object. Accordingly a competitor from Kansas City to Chicago or St. Louis would have a difficult time. Land grants and financial promoters' construction bonds to preferred builders, however, led to over building of transcontinental lines without concurrent commercial development. Even though the promoters of the lines may have done well, they left their creations plainly insolvent, in need of restructuring and without permanent success. (**Reference 5**)

Some notable rail lines figured in Kansas City's progress to "centrality" – the Missouri Pacific Line from St. Louis; the Frisco South from St. Louis to Springfield; the Hannibal and St. Joe west in 1859 (an 1861 Pony Express Partnership with that line produced a 5 hours record for 206 miles at 40 miles per hour), and the Santa Fe 1882.

Their stories are background to the larger Stilwell story. Stilwell arrived in Kansas City to create the Guardian Trust in 1886 and partner in various local development projects with E.L. Martin, Kansas City's Mayor. Stilwell was a special kind of innovator – a "system innovator", a "system integrator" – commercial, financial, transportation. His initial goal was to use his Guardian Trust Company in real estate development. Martin's idea for a terminal or belt railroad attracted Stilwell. "Mainline" resistance, especially from the Missouri Pacific nearly brought the project to an end.

Together the two men, however, created Kansas City's Suburban Belt Line – its terminal railroad – in 1887; it began service from Argentine to Independence, Missouri in 1890 connecting local railroads and a variety of users. Local connectivity was thus achieved with the terminal railroad; there were no connections before the Civil War.

After their success, however, Stilwell and Martin headed south to the Gulf. By bits and pieces by 1896 they put together the Kansas City, Pittsburgh, and Gulf (KCP&G) – to Hume and Pittsburgh for coal; to Joplin for lead and zinc; and, with Dutch financing in 1893, to Ft. Smith for lumber. Their Kansas City, Nevada and Ft. Smith had acquired Texas Kansas and Ft. Smith to become the KCP&G. As financial amalgamators they followed the pattern earlier established in the consolidation of short lines along the Erie Canal to create the New York Central; their consolidation took them to the Gulf of Mexico instead of the Great Lakes. After additional short line acquisitions, they at last in 1897 reached Kansas City's direct deep water port in Port Arthur, Texas. **(Reference 6)**

The beneficial effects of the completed line did not take long to come; farmers in Kansas and Nebraska saw immediate additional profits of 80 cents an acre. For export grain, Port Arthur was closer than the East Coast, which meant lower shipping costs. Just as important, New York speculators could no longer embargo by "refusals to deal" midwestern grain in order to keep prices high. Seats on the Kansas City Board of Trade, just $50 before Port Arthur was completed, skyrocketed to $3,600. Lumber from Louisiana and East Texas was shipped in all directions: south to the Gulf for export, north to Kansas City, and then west into the new towns and cities of the Great Plains and beyond. Between 1900 and 1910, Kansas City was the world's largest wholesale lumber market. These powerful economic effects were enhanced by discovery of the Spindle Top oil field, 15 miles from Port Arthur in 1901 just four years after KCP&G was finished but after Stilwell had been cast out from his creations. Petroleum and chemical products still comprise (as of 2010) approximately 21% of the company's traffic.*

*Thanks to Peter Hansen for these dates and their amalgamation. The first two points came from Keith Bryant's 1971 bio, *Arthur E. Stilwell: Promoter with a Hunch.* The third is pretty much common knowledge, but the point about Kansas City's role as a lumber market came from research for a 2007 documentary film on R.A. Long. (Peter Hansen, Editor, *Railroad History*)

None of this would have happened without the KCP&G, later the Kansas City Southern (KCS).

After the last spike was driven on the rail in Beaumont, Texas on September 11, 1897, Martin resigned as president and Stilwell succeeded him. Martin had been a part of the founding and the great southward expansion for ten years in duration. Martin is often forgotten in this story, but Kansas City's Mayor can be said to be as much a contributor to Kansas City's ultimate rail center as Stilwell himself.

Reaction to KCP&G and Kansas City's access to southern markets and a deep water port was not universally enthusiastic. The KCP&G, once it reached Kansas, Louisiana, and Texas, had opened

up the vast southern pine and hardwood forests to Kansas City and points north. The railroad made Kansas City a premier lumber market. Rates for lumber shipment on the KCP&G were considerably lower than those prevailing up to that time, principally over the Missouri Pacific (through St. Louis) and Illinois Central (through Chicago). In 1898, these railroads and others declared a boycott of the KCP&G and embargoed its interchange with connecting carriers until it could be made to "bring its rates in line". If the embargo continued, Stilwell's new line would be forced out of business. Only Stilwell's persistent presentations on the damage the connecting railroads were doing to themselves with their embargo brought about its end. The dye was cast, however, as some of these eastern carriers began a long campaign to disable the KCP&G (or the KCS) or to eliminate it all together.

Hostility to the continued independence of the KCS had persisted in the aftermath of the failed embargo. The Illinois Central and Missouri Pacific and their successors at Union Pacific had little but distain for the KCS and its routes. The KCS was known to the Union Pacific operators as "hay wire". That sentiment about the KCS perhaps only began to subside with the total national and international rail system which has been assembled in recent times.

The irony in these efforts to disable or eliminate the KCS is that the ultimate victims were some of the lines participating in the embargo. The Illinois Central was eventually dismembered. Several strategic pieces were acquired by the KCS when George Edwards and Mike Haverty became the railroad's principle executives. Accumulation of lines from Kansas City to Effingham Junction with key access to Chicago and St. Louis and from Tuscaloosa, Alabama, to Shreveport enlarged the KCS footprint so that it was more suitable for inclusion in a true transcontinental system which emerged with the purchase of railroads in Mexico.*

As Port Arthur was in sight, Stilwell turned to the north for further acquisitions and consolidations, hoping to give Kansas City usable direct connections to Chicago and Omaha. He acquired routes and operating rights but no rolling stock. **(Reference 7)** Acquisition of rolling stock and locomotive power to keep up with his emerging rail network was a persistent challenge to Stilwell. In the economic collapse of 1899, Stilwell's financing disappeared and the railroad had to be reorganized. To assist in the reorganization he was forced to turn to outsiders – "Bet a Million" Gates of the barbed wire fortune, and E. H. Harriman, Stilwell's competitor with the Illinois Central and the Union Pacific – for support and financing.

By early 1899, however, Stilwell's reorganization plan had been approved. As the refinancing proceeded, the rebound from the crisis was becoming evident. With the inclusion of the new properties north of Kansas City, the KCP&G would be a "transcontinental railway". And Kansas City would be a transcontinental hub.

*In May 2012 Norfolk Southern Railway (NS) and Kansas city Southern (KCS) announced a partnership to begin offering TMX a new 53-foot, rail-controlled container program in a dedicated route between KCS' intermodal facilities in Toluca, San Luis Potosi and Monterrey, Mexico, and NS' intermodal facilities in Atlanta and Charlotte, North Carolina.

Stilwell was soon to be brought up short. On Easter morning, 1899, he awoke to read that a federal judge in St. Louis, at the instigation of Thalmann, an eastern financier in league with Gates and Martin, had during the night put Stilwell's railroad in receivership. The basis was an unpaid printing bill of $40. To this surprise was added the request of Gates to separate the three northern lines and combine them in a separate receivership. In Stilwell's view, the insiders could thereby convert the clear value created by the pending reorganization to their benefit. Stilwell declined the offer and stymied the proposal.

As the reorganization proceeded to a successful conclusion, however, the three Stillwell enemies united to oust him from the company. By 1900, on the eve of creation of a fabulous western railway and its national terminal in Kansas City, Stilwell, its author and builder, was dismissed from his company. He was 41. In the ensuing reorganization the KCP&G became Kansas City Southern (KCS). The new regime then began a vigorous attack on the Guardian Trust, Stilwell's financing and organizing vehicle, and in particular, the Trust Company's financing of the Belt Railway and KCP&G. Years later Stilwell was vindicated, but the conflict effectively forced him out of the new KCS and its prospects. In the face of such adversity Stilwell left behind the KCS now enjoying the success and prosperity he foresaw. Port Arthur had become a prominent port for midwest grain exports, and the success was multiplied many fold by other traffic and by the discovery of oil at Spindletop outside Port Arthur in 1901.

After his dismissal and resignation from the KCP&G, now renamed the Kansas City Southern (KCS), Stilwell returned to Kansas City for a dinner convened in his honor by old friends and investors. To their astonishment he chose the occasion to announce another railway line, this time to the southwest of Kansas City with a goal of bringing Kansas City closer to the Pacific Ocean than to San Francisco. The route was through Kansas, Oklahoma, Texas, and Mexico to the deep water of the Pacific in the Gulf of California at Topolobompo.

No sooner was the plan announced than Stilwell set out to build the line. He went to Mexico and met President Diaz who awarded Stilwell the right of way and funds for construction of the Mexican portion. Meanwhile, the U.S. portion, from Wichita west to San Angelo, Texas was underway. With great enthusiasm and support, Stilwell moved ahead with this new venture, Kansas City, Mexico and Orient Railway. By 1905, substantial progress had been made in the U.S. and Mexico. Had it been completed, Kansas City would have an efficient gateway to the Atlantic and the Pacific Oceans.

His new railroad venture was interrupted, however, by the Mexican Revolution. Diaz' grants to Stilwell were revoked and all worked stopped. Indeed, one of Stilwell's building contractors on the Mexican portion of the line was Poncho Villa, who now took an active role in upsetting plans for the new railway and in tearing up the new laid rail. Under the circumstances, the Kansas City, Mexico and Orient went into receivership in 1911. There was no money to pay the receiver, W.T. Kemper, who was then paid in common stock of the failed property. When oil was discovered on the new railroad line, the Santa Fe bought the line and Kemper's stock was purchased with

considerable profit to him and to Kansas City, which thrived from his hometown investments and philanthropies.

The story of Stilwell, and his constant fundraising and stock promotions, is not unusual for those who are familiar with the escapades of the Gilded Age. His reach, however, and his legacy are more enduring. If you are interested in the "robber barons" of that period, one cannot do better than Theodore Dreiser's "*The Financier*". In every detail this book reminds readers of the age's mischiefs and achievements and heroes.

Reference to "*The Financier*" prompts a digression. The foregoing brief account of Stilwell's achievement is blurred by a lack of context. Properly described, the emergence of Kansas City and its transportation infrastructure required consideration of the several 19th century technologies, social and economic change, all of which was accelerated by further technological impacts from which opportunists profited. The Gilded Age of railroading was promoted and marked by the activities of rail financiers. At the core of his experience, Stilwell was one such financier. Only his larger vision and execution set him apart from the rest. Van Horn idealized, Stilwell realized.

All these achievements in creating a magnificent continental rail network stirred up opposition from users and regulators. Thus, the successes of railroad barons were undermined to a great extent by the pressure from consumers and shippers to regulate railroads, to limit their pricing power, and to undermine the monopolies and privileges they often enjoyed. To address these excesses Congress adopted the 1873 Interstate Commerce Act (ICA) as a keystone of Progressive Era, but constant lobbying by the rail industry frustrated its implementation. One might argue that the goals of the ICA were not achieved until the railroads came under government ownership as part of the national mobilization of World War I. Even then, as with all World War I mobilized industries, a small number of "industry leaders" determined the benefits of government ownership and how the industry was operated and how the benefits were to be enjoyed. The rail oligarchs, with government encouragement and backing and with government assisted rail nationalization, developed a plan to consolidate the nation's railroads into a few smaller enterprises and to eliminate of "upstart competitors". Their vehicle was the U.S. Rail Authority. Smaller properties had no say in the matter. A copy of their plan of consolidation is attached. In this plan the outlook for KCS as an independent property and Kansas City as a central place in the national transportation network were problematic. **(Reference 8)** Activities of the railway oligarchs are described in connection with the discussion of the WWI rail nationalization when this specific plan was endorsed by the government.

Kansas City's emergence as a railroad center paralleled Stilwell's own progress, both of which proceeded against a background of industry consolidation and government regulations each dependent on the financial successes and excesses of the Gilded Age. Rail financiers were responsible for securing government backing for rail monopolies, generous land grants, tax exemptions and financial privileges which justified speculation in railroad investments. The Civil War currency boom also played a role in animating the excesses of the period, including excess investment in rails, among other technologies, and consequent service duplication, system overlap

and congestion which followed. Civil War greenbacks remained in circulation together with counterfeit currency and other specie issued by state and new national banks, their holders looking for new investment – much of it in railroads and other new technology, i.e. telephones, electric power, farm machinery and many devices imagined to take advantage of the emerging American marketplace. The situation of the late 19th century was described by Walter Bagehot, founder of the Economist (and critic of the then "fragile" central banking apparatus). He spoke of that period's credit bubble with declining yields: "the owners of savings not finding, in adequate quantities, their usual kind of investments, rush into anything that promises speciously." This phenomenon is observable in more contemporary settings. America always seemed to have an appetite for commercial transactions and the indispensable fuel for such transactions – paper money. More fundamentally, the combination of unprecedented liquidity over a century in duration, with an accessible low cost corporate structure to house new ideas of enterprise, gave substance to a durable version of the American dream.

Much of the post-Civil War railroad construction mania arose from the impulse for civic betterment. After the war land grants made to transcontinental railroads were to some extent matched by land grants to settlers under the Homestead Act of 1863. These grants rapidly spread homesteaders in the west, many near or alongside railroad rights of way. We celebrate this year the 150th anniversary of passage of the Homestead Act. Every town with a future had its "go getters" like Van Horn who sponsored and built "booster railroads". At the end of the Civil War there were 35,085 miles of railroad track, with 3,272 west of the Mississippi. By the end of the 19th century the total mileage was almost 200,000 miles with just over 72,000 in the barely populated west. The rail construction boom continued after 1900 with its partners and facilitators, financial and investment bankers, men with a talent for taking advantage of the excess liquidity of the U.S., the appetites of European investors and the economic development aspirations of state and local governments throughout the country. This combination of players created, as was said in the words of one shrewd observer of the frenzy, "railroad lines from nowhere in particular to going nowhere at all" with problematic connections, and little or no equipment or management. Some of you who know Anthony Trollope's, The Way We Live Now, have a sense of how the great New World opportunity attracted foreign and domestic investors and charlatans. Mel Brooks', Blazing Saddles, is a different example of the civic betterment impulse behind rail construction and its corruption by the likes of Hedley Lamar.

In this complicated story those bankers with talent for financing railroads – the likes of J. P. Morgan, E. H. Harriman, Jay Gould and Cornelius Vanderbilt – began to lose patience with the "excessive competition" that emerged from national railroad overbuilding. Intense speculation on the prospects of any particular property produced wild swings in railroad stock prices. Stock price volatility and new competition frustrated realization of returns on capital and necessary reinvestment and especially threatened the larger more established roads in the east and the emerging lines of the west – the Great Northern and Union Pacific. By 1883 there were four transcontinental routes more or less in operation and others were conceived and had begun construction.

> "In addition to their massive support from the federal government, the railroads borrowed from state and city governments. Increasing numbers of foreigners turned to American railroad bonds for

> investment. By 1890 about one-third of all American railroad stocks and bonds were held abroad. In the scramble of railroad construction, overexpansion was inevitable and did much to contribute to the depression of the seventies. The building up of the great railroad empires was a haphazard, brutal, and often corrupt process. Empire builders of the stripe of Huntington and Cooke and Vanderbilt did not hesitate to break their rivals or to bribe public officials to obtain charters or grants. Promoters, speculators, and politicians were on hand to take their slice of the railroad melon. In the struggles for freight traffic, large shippers received rate cuts and rebates to the angry and impotent dismay of farmers and small proprietors.
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> No federal government under any conceivable circumstances would have undertaken the necessary railroad construction or other industrial expansion on its own. The robber barons were not always attractive, but they served a purpose." [Emphasis added] (Russell, History of the Confident Years, page 144, American Heritage Publishing)

We may have trouble, so far removed from the time and place, calling up the Edwardian grandeur of the Metropolitan Club in New York City on May 31, 1901 – here gathered two of the ultimate moguls of the Gilded Age of the railroad and finance boom that created great fortunes but also great financial and operating chaos, J. P. Morgan and E. H. Harriman and representatives of the Northern Lines. At this luncheon meeting Northern Securities was created "to rationalize" the railroads in the west, to eliminate "confusion", and "competitive excesses" and most important to avoid price competition that excess of competing demands for capital and especially the great fluctuations in stock prices of the railways associated with new comers and contests for control of the "systems". This meeting to resolve "western issues" was in some respects also a pale imitation of the earlier meeting on Morgan's yacht, The Corsair, to which the main rail competitors in the east were summoned and an array of rail properties were "rationalized" under Morgan's direction, with the principal roads – the Pennsylvania and New York Central directed by him to "buyout" nuisance competitors. As we have seen, the KCP&G was a victim of this rationalization. The meetings in New York followed in time the meetings in Kansas City, ousting Stilwell from one such potential and important competitor.

Although Northern Securities as a holding company was dissolved by order of the Supreme Court in 1904, a pattern of industry management by insiders with their investment managers' banking houses was established and was the precursor to the railroad industry committees which initiated and controlled the rail nationalization achieved in World War I. Creation of "trusts" – such as Northern Securities – the Steel Trust, the Oil Trust, the Tobacco Trust, all based on the Standard Oil Model – facilitated a form of "scientific management" much lauded by experts of the time. Such trusts went on until the Supreme Court in a series of cases in the first decade of the 20th Century dismantled them and reinstated the member competitors as independent entities, or so it seemed. In practice the collaborators continued their informal arrangements respecting price and access control.

Stilwell and his successors emerge from this background.

But rail lines and practices began to change with the new century. Railroads continued to resist and obstruct efforts of shippers and local governments to stop carrier rate and service predations. As described, the ineffective ICC, created toothless in 1873, was ultimately given teeth by statutes, not by judicial decree. The Interstate Commerce Act, forbidding rebates, pooling, discrimination in rates and, empowering shippers, setting rates at "reasonable" levels was intended to address excesses of railroad behavior but was largely ineffective. The Hepburn Act of 1906 made the 1876 law enforceable and more effective to address the inadequacy of the ICC. After 1906, ICC regulations, coupled with the rise of labor, (the eight-hour day was finally ordered by the government in 1917), imposed a ceiling on rail rates and stifled rail access to capital; "just and reasonable rates" as ordained by the ICC doomed rail capital investment and reinvestment. The appeal of rails to the financiers dissipated.

When traffic boomed with commencement of World War I in 1914, railways were poorly equipped to respond to the new demands placed on them. Ports were jammed; cars could not be unloaded and returned to service. Export demand expanded everywhere: there was silk and machinery for the U.K., and cotton and barbed wire and locomotives to Russia. Inflation in wages and the price of food was a constant; for example, wheat went from 40 cents to $1.65 per bushel. As the war began in Europe in August 1914, the arsenal of democracy in U.S. became in one sense "property" of the railroad business. In the flood of traffic railway operating attitudes -- "keep it on my line", "embargoes", "don't move it empty" – led to congestion of all lines serving ports preferred for transport to allies.

Several approaches, inherited from the 19th century, were pursued to address the confused situation. Cartelization of American industry and implementation of "scientific management" were phenomena of the late Gilded Age in the run up to World War I. Both were powerful, even controlling, influences in the decisions to nationalize U.S. railways during that war. The impulse to rationalize disorderly competitive industries had its intellectual and academic supporters among those who were committed to such "scientific management". Under the influence of "social Darwinism" and eugenics there were wide-spread attempts to find the means to identify the "best" competitors and to address "too much unbridled competition from unworthy competitors" in all industries, indeed in all behavior. Not surprisingly the industry cartels that emerged from varied industry practices in the late 19th century re-emerged as silent partners of the government in public/private partnerships to regulate commerce during the war nationalization and afterwards. For those industries and small competitors which objected to the new regime, ostracism and exclusion from financial and business participation and profit were the consequences. The World War I's Industries Board's (WIB) price fixing and guarantees of "fair profit" should have been incentive enough to keep them quiet as WIB stabilized markets, moderated competition, eliminated market fluctuations and volatility and guaranteed market share for the duration of the war.

In this general climate and context of government sanctioned industry cartels, the Railroad War Board (RWB) functioned separately from the WIB, but with the same goals of industry stabilization and achievement of "Scientific Management" long advocated by rail leaders. William Gibbs McAdoo's leadership of the United States Railway Association (USRA), created in March 1917 for managing rail nationalization, embraced industry managers. It included top rail executives. While the Nationalization Order and McAdoo's authority were implemented immediately in the USRA, the practical operation of that authority followed the Civil War experience: the government depended on the industry itself for implementation. The railroads' own RWB was abolished but

McAdoo appointed an advisory board from the railways again consisting of top rail executives to assist him. The resulting nationalization was a "top down" imposition of the control regime with the government and the rail insiders in charge. There could be no dissent.

On March 21, 1918, the Railroad Control Act became law nationalizing the nation's railways; it guaranteed the return of the railroads to their former owners within 21 months of a peace treaty, and that their properties would be handed back in at least as good a condition as when they were taken over. It also guaranteed compensation for the use of their assets at the average operational income of the railroads in the three years previous to nationalization. This act laid down in concrete that the nationalization would be only a temporary thing. But it was not considered by the railways as necessarily so.

Both wages and rates for both passenger and freight traffic were raised by the USRA during 1918, wages being increased disproportionately for the lower-paid employees, which proved unpopular among more senior ones. To accompany wage increases and work rules to ensure labor supply and dampen labor opposition, as noted, the USRA also raised rates (28%) (previously denied by ICC).

The USRA also inherited and pursued a plan for U.S. rail consolidation and system "rationalization". The USRA's vision for the national rail system guaranteed by this unique public/private partnership of government and rail industry included a plan for "consolidation" of rail lines assigning to the principal carriers the responsibility as "consolidators", without permission of the lines to be consolidated. The list left no room for "difficult" competitors such as the KCS. **(Reference 6)**

Although President Wilson dissolved the WIB governing industry in general in May 1919, remnants of war collectivism carried on, mainly in the USRA, surviving until March, 1920 when formal nationalization ended. It was the most important carryover of such collectivism, and the government's operation of the nation's railroads. McAdoo resigned as head of the USRA at the end of the war, but he was succeeded by the previous *de facto* operating head, railroad executive Walker D. Hines of the Santa Fe. There was no call from the major rails for immediate return to private operation, because they generally agreed upon drastic regulation to curb or eliminate "wasteful" railroad competition and coordinate the industry, to fix prices to ensure a "fair profit," and to outlaw strikes through compulsory arbitration. These sentiments captured the overall thrust of postwar railroad political action. Being in effective control of the USRA, the dominant roads were in no hurry to return to private operation and jurisdiction by the less reliable ICC. Although McAdoo's plan to postpone by five years the given 1920 date for return to private operation gained little support, Congress used its time during 1919 to tighten the market power of the railroads.

For the early part of the century and between the wars, KCS and KC operated in the growing, apparent, twilight of the rail industry. L.F. Loree was sent by KCS' eastern owners to manage the railway. Loree was more talented than most rail managers of the inter-war period and served as KCS Chairman from 1907 to 1937. At one point the KCS was able to make a bid for the then failing Southern Pacific but opposition to the purchase from the Illinois Central and other larger competitors prevented the purchase. It was said that failure of the acquisition ensured KCS financial well-being and its survival of the depression without a re-organization.

The KCS rollup of small rail properties continued. It produced the Louisiana & Arkansas (L&A), a creation of a lumber and timber entrepreneur in southeast Arkansas, northwest Louisiana and East

Texas. The L&A connected New Orleans and Dallas, Texas. By the late 1930's it was controlled by the Crouch family and its general manager was William N. Deramus II. As the Crouchs' perfected their ownership of the L&A and discarded peripheral lines, they cast their eyes on the KCS. In 1939 after a takeover contest of sorts they merged the two properties. **(Reference 9)** Deramus II was general manager and in due course, after another contest for control, became president. The new property by now was largely dominated by Kansas City interests.

Deramus II was an Alabama grade school graduate who started his railroad life on the Louisville and Nashville Railroad. His progress took him west and a variety of management positions and finally to the L&A and KCS. He vigorously addressed the KCS' deteriorated physical plant, continuing the work of Loree, with considerable help from the wartime excess profit tax which permitted the railroad to finance its capital needs on an attractive basis.

In addition, Deramus II proved to be remarkably focused on using the best technology to secure improvements in rail efficiency and productivity. He was an early adapter of "technology transfer" from World War II advances. Through the use of new technology in locomotives, and radio communication, and ahead of the competition he was able to reduce workforces in train operations and maintenance and communication, finally escaping to some extent the rigid work rules and staffing inherited from World War I. Beginning in 1938 the KCS became the First Class I railroad to employ road diesel locomotive power in freight service. Deramus II's involvement with Midwest Research Institute and Charles Kimball, then working in Kansas City for RCA, led to use of low frequency FM radio signals for train communication in place of traditional labor intensive telegraph and telephone infrastructures. Later as World War II ended he seized the opportunity to acquire now surplus microwave equipment to further modernize rail communication. A similar purchase of surplus computer equipment and engagement of Univac technicians enabled the KCS to become the first U.S. rail to computerize car accounting and revenue accounting functions, improving efficiency and accuracy of traditionally heavy manpower functions. In all these respects, the KCS became an industry leader in new technology enhanced systems, reduced labor force and improved productivity.

These promising developments were undermined, however, by the repeal in 1953 of the Excess Profits Tax and elimination of tax benefits for industrial finance. The almost immediate effect was a 61% reduction in maintenance expenditures. Funds for maintenance of rail pathway were reduced from 10-15% of revenue to 7-9% of revenue. Resulting and renewed deterioration of rail plant affected all U.S. roads as capital was in short supply, especially since rate controls and rigid labor arrangements remained in force and new competition from improved trucks diverted traffic away from railroads and on to free public interstate pathways.

At the conclusion of his American Heritage History of Railroads in America Oliver Jensen portrays the situation dramatically: "In the sunshine of peace, the prosperity of the war years melted away like the snow after one of those strange heavy storms of late spring. America resumed its reckless love affair with the eternal combustion machine, a romance enthusiastically encouraged by a generous uncle in Washington, an old fellow who scarred the land with new highways, and 'interstates', and airports as though there were no tomorrow and no end to the world supplies of energy. Trucks, airlines, busses and even long forgotten canals and waterways benefited from government largish and only the railroads remained regulated, unsubsidized and fully taxes – indeed sometimes taxed at three and four times the rates of others. The ICC would, in many cases, not even let it underprice its competitors".

William N. Deramus III, Deramus II's son, after a distinguished World War II record operating railroads across India supplying the Burma and Ledo Roads, came home for a career to match and extend that of his father. After leading the Chicago Great Western and the KATY railroads he joined his father at the KCS. Together they formed the nation's first rail holding company, Kansas City Southern Industries (KCSI) for a Class One railroad property. The holding company structure permitted efficient diversification and improved capital planning in increasingly difficult times.

The new KCSI's first non-rail diversification was into the mutual fund industry. It proved to be an investment of considerable influence and effect in the long term growth of the railroad. By the late 1990's KCSI's mutual fund investments had assets under management in excess of $250 billion. Janus alone, its premier mutual fund property, included both equity and bond funds and in 1992 was a major investor in Mexican sovereign debt. Janus had early on recognized the potential of Mexico in the expanded North American market both as a low cost provider to the US markets and as a partner to US manufacturers. By the late 1990's, KCSI's diversification into asset management, financial service data processing, and communication had produced a much improved balance sheet which enabled expansion and further diversification in rail ventures.

KCSI was fortunate to have sound railroad operating management in its rail subsidiary throughout its recent history. In 1972 Mike McClain, the KCS marketing executive, negotiated contracts for hauling low sulfur Powder River Basin coal to several electric power generating stations in Arkansas, Texas, Missouri, and Louisiana. These contracts enabled KCS to finance a necessary rehabilitation of the railway's physical plant and equipment. Tom Carter was chosen by William Deramus III for that task. Successful completion of system rebuilding and participation in these important coal movements led to an opportunity to acquire a Mexican railroad.

Some years after the death of Deramus III, one of the KCS coal customers, in conversation with Mexican government officials, learned of Mexico's interest in a project involving Powder River Basin coal moved to Mexico by barge across the Gulf of Mexico after it had been mixed at Port Arthur, Texas with higher sulfur, high BTU coal from Columbia. In a visit to Mexico in 1995 by McClain and KCSI officers and after discussion of the coal project, the Treasurer of Mexico asked about the possibility of KCSI's purchase of the entire Mexican railroad system as a part of Mexico's plan to privatize some state assets. Mexico became interested in KCSI as a buyer because, through Janus, it had become the largest holder of Mexican cetas, Mexico's sovereign debt and thus was deemed a worthy partner in such a transaction. KCSI was later advised that privatization of the Mexican rail system would have to wait for the next administration. Ultimately the Mexican government decided to pursue rail privatization but to divide its system into three parts for sale. Unlike other such denationalization plans Mexico did not retain an interest in the resulting enterprise.

The most attractive of these parts for sale was "Line One" serving the commercial and industrial areas in Mexico with access to Atlantic and Pacific ports. KCSI conducted extensive studies before concluding that it would arrange the financing and commit to make a bid for Line One. It was required to work with a Mexican partner, TMM, with which KCSI later created TFM to bid for the line. To the surprise of many, when the bids were opened in Mexico City in December 1996, the

KCS/TMM joint venture was the winner. The extension of the KCSI's rail operation into Mexico after many organizational challenges and the purchase of TMM's interest in TFM, enabled the KCSI to realize the goals and ambitions of its 19th century founders.

This presentation cannot do justice to the several railroads and KCSI subsidiaries which contribute to the history of Kansas City and KCSI. Only some have been mentioned. Recent additions since 1990 made indispensable contributions to the domestic rail network which supported the Mexican rail acquisition and made possible the transcontinental transnational network now in place. By the time the opportunity to participate in the bidding for the Mexican rail privatization arose the KCSI footprint in the U.S. had been much enhanced and closer than ever to realizing the Stilwell ambition for Kansas City as a national rail hub. In 1994, during George Edwards' presidency, KCS acquired the Midsouth Railroad, a spinoff of the Illinois Central. The Midsouth Line plus related trackage rights allowed KCSI to operate from Birmingham, AL to Dallas in efficient east/west service now known as the Meridian Speedway. For the first time KCSI had connections with the more prominent eastern roads, Norfolk Southern and CSX at the meaningful east end of the line. (footnote re NS/KCS joint venture, page 8)

Many of KCS recent accomplishments came on the "watch" of mike Haverty. Haverty joined KCSI as president of KCS, its rail subsidiary, in 1995. While at the Santa Fe, Haverty had led the railroad industry in rethinking the opportunity for intermodal traffic leading to considerable market expansion for all railroad carriers. This market expansion capitalized on the competitive advantages of railroads, compared to other transport rails, because of rail fuel efficiency and pathway ownership. He brought these insights and wide rail experience to KCSI. He presided over several rail acquisitions including in 1997 the Gateway Western, a line from Kansas City to East St. Louis with access to Chicago. Before bidding on the Mexican line in 1996, KCS purchased from TMM, its Mexican partner to be, an interest in the TexMex Railroad, operating between Laredo and Corpus Christi, Texas, and thereby became the sole U.S. owner of the International Bridge at Laredo, the principal rail link between U.S. and Mexico.

Haverty was also farsighted enough to see that approval of the Union Pacific/Southern Pacific combination then pending before the U.S. Surface Transportation Board (STB) required a competitive presence in southern Texas. Accordingly in 1999 the STB granted KCS trackage rights over the UP, connecting the Tex Mex with the KCS main line at Beaumont, Texas. This connection between KCS main line and the Mexican border improved KCS' standing to bid for the "Northeast concession", Line One from Nuevo Laredo at the U.S. Mexican border to Mexico City and the ports of Lazaro Cardenas, Veracruz and Tampico. By 2005 KCS had acquired the minority shares of TFM creating in due course a Mexican KCS subsidiary, Kansas City Southern de Mexico.

"Rollups" of shorter rails which Stilwell used to create the KCP&G were a national phenomenon from the end of the Civil War until the present time. Similar acquisitions to the present have enabled the KCS to continue to grow. Despite apparent rigidity of railroad structures and plants, rail managements and their owners have been remarkably flexible in aggregating and

disaggregating rail properties as they reacted to strategic opportunities and challenges. This flexibility has been a prominent feature of a national, now international, market economy which itself has "morphed" in response to changed technology, demographics and politics. This flexibility is only possible in a non-state owned rail system.

After deregulation during the 1980's and 1990's, rail consolidation had proceeded briskly. This consolidation benefitted Kansas City because of it centrality in the consolidated systems. The Union Pacific's merger with the Missouri Pacific, its acquisition of Southern Pacific and the Denver Rio Grande and Western Pacific created the present Union Pacific system. At the same time, Burlington Northern acquired the Frisco and merged with the Santa Fe. Earlier creation of the Norfolk Southern system brought this consolidated eastern carrier to Kansas City.

In addition Kansas City Terminal has emerged as the number one terminal for freight tonnage in the U.S. The terminal handles, on average, 200 trains per day which has increased in heavy tonnage over the years. This tonnage includes coal, intermodal, grain, and auto traffic freight. The terminal serves as a necessary and efficient intermediary for all of the carriers and customers in Kansas City, and a necessary transcontinental and intercontinental link for those essential connections dominating North American rail transportation.

Today by virtue of decisions of such rail managements, the industrial heartlands of the U.S. and Mexico, and their important Pacific and Atlantic ports are tied together. More importantly they are joined in Kansas City.

Privatization of state owned rail systems brought KCSI other opportunities to own or manage foreign properties. Again, the goal of many countries in the 1990's to privatize state owned facilities to achieve economies and efficiencies could be taken advantage of by KCS. Haverty's Chicago connections presented the KCS an opportunity in 1996 to acquire a long term lease and to rehabilitate and operate the railway across Panama, paralleling the Panama Canal. In 1998 the KCS, with its partner, was selected to rebuild and operate the Panama Canal railroad for 50 years. The railroad had been built by U.S. interests in 1858 to carry US settlers from eastern United States to California. Dave Starling, now KCS president, was selected to be in charge of the venture.

KCSI's diversification began in 1962 with its purchase of a Chicago mutual fund manager. This modest start had, over time, eventually led to acquisitions of several asset managers including Janus Funds, Berger Funds, and INTECH, together with DST, Argus and investments in telecommunications and pharmaceuticals. In the late 1990's this diversified company was reorganized. Through a service of tax efficient shareholder distributions by 2000 substantial stand-alone enterprises were created: DST Systems in data processing, Janus Capital, holding all of KCSI's asset managers and KCSI as the stand-alone railroad system.

Stilwell and Martin, as financiers and railroad builders, could hardly have imagined these successes in 1897. Van Horn and Stilwell would also have been amazed that the railroad hub they envisioned

in Kansas City had been achieved. The new KCSI has given Kansas City a major place in the global transportation infrastructure emerging in a rapidly globalizing marketplace. **(Reference 10)**

Regrettably, also, Deramus III did not live to see the fruits of the diversification he largely instigated. Several of the diversified companies produced important Kansas City enterprises – all outgrowths of his foresight and the protégés he chose to implement the plans. Protégés of past managers all too often have faded in history. Those of Deramus III are still with us. A disciplined approach to selection and grooming of protégés is not easy to come by. His father, Deramus II, was influenced, as were many others in Kansas City during the mid-1940's and 1950's, by Charlie Kimball of Midwest Research Institute. He encouraged the development of suitable management candidates in an enterprise. Deramus III, who was an ultimate protégé of his father, followed his father's inspiration on this subject. Many of the Deramus III protégés are known to you and are still active in the community carrying on his commitment to success in enterprise and community. They include Tom Carter, Ray Bammes, Irv Hockaday, Tom McDonnell, Al Mauro, and Phil Kirk, and your speaker, among others. Each contributed in the current enterprises portrayed here.

When *Money Magazine* celebrated its 30 year anniversary (1972-2002) it published a ranking of those U.S. companies which had produced the best financial results over its 30-year publishing history. To the considerable surprise of many, KCSI had done the best and was number one in its ranking. That record has continued in recent times. **(Reference 11)** Deramus III instigated much of it but did not live to see it celebrated. We all looked back to Arthur Stilwell.

Stilwell produced a very long and intricate shadow. Kansas City is its enduring beneficiary. One must marvel at the combined forces and unknown actors which over a century finally achieved what Stilwell, and perhaps other kindly influences, anticipated. Or perhaps we must credit the "brownies" in which Stilwell believed. In the end – which is after all not yet – everyone at this junction of the Missouri and the Kansas Rivers is commonly blessed. And we look forward to more. Boosters abide, we are in their number and we are expected to carry on.

Landon H. Rowland
March 18, 2012

This talk was presented at the Kansas City Public Library as part of the Missouri Valley Sunday series on March 18, 2012 and at the William C. Corum Chapter of the National Society Sons of the American Revolution at William Jewell College on April 14, 2012.

APPENDIX

You will find earlier presentations on related subjects at www.landonrowland.com, including:

The Cornucopia Problem: Managing in an Age of Plenty
Washburn University, Business Leaders Luncheon, April 12, 1988

Racing, Shuffling, or Stumbling into the Millennium: Surface Transportation after 2000
Midwest Research Institute, April 21, 1992

Entrepreneur of the Gilded Age: Arthur Stilwell in Kansas City
Western Historical Manuscript Collection, Kansas City, Charles N. Kimball Lecture, October 27, 2003

The Last Hurrah for the Gilded Age: The 1917 Nationalization of the U.S. Railroads
National World War I Museum, November 29, 2008

Charles N. Kimball: A Mentor to the Community
State Historical Society of Missouri Research Center, Kansas City
Spring 2011 Charles N. Kimball Lecture, April 21, 2011

Each of those above also include important references which should be consulted for a more complete understanding of this summary and incomplete account of several controlling influences in Kansas City's present infrastructure and its prominence.

REFERENCE

Much of the forgoing has been drawn from earlier presentations regarding Arthur Stilwell and the 1917 Nationalization of U.S. Railroads. Each of those presentations relied on and referred to source materials included here. In addition, a very valuable history summary of the KCS was prepared by R. K. Dreiling. This writer is indebted to his work.

Boorstin, Daniel, The Americans: The Democratic Experience

Bryant, Keith, Arthur E. Stilwell: Promoter with a Hunch

Dreiling, Robert, A Vision Realized: The Indomitable Spirit of KCS

Hansen, Peter, Railroad History

Jensen, Oliver, The American Heritage History of Railroads in America

Russell, Francis, History of the Confident Years

Sellers, Charles, The Market Revolution, Jacksonian America, 1815-1846

Wolmar, Christian, The Great Railway Revolution: The Epic Story of the American Railroad