it was subjected to the receipt of its supplies to the chances of shipwreck, of vessels putting into way ports on the South Atlantic or South Pacific for repairs. Its work of construction was attended with drawbacks and disappointments, and great expenses that were not shared by the Union Pacific Company. It had to pay war rates of insurance, ranging from 5 to 17 per cent, from which tax the Union Pacific was free. And when pressed for time, or to remedy a loss of material that had occurred in the transit around Cape Horn from New-York, it was compelled to send rails or locomotives across the Isthmus of Panama. It was subjected to burdens from which the Union Pacific was totally free, as is shown by the testimony of Mr. Clement, Mr. Strobridge and Mr. Brown, heretofore noticed.

Being at such a distance from its base of supplies, it was compelled to keep material for nearly a year's construction constantly in transit. It had upon the ocean for the greater part of the time it was engaged in the construction of its road, materials valued at from one to three millions of dollars, upon which it was incurring an interest account, ranging for most of the time from 12 to 15 per cent per annum. We have it in evidence before the Commission, that the rails used in this work cost at the point of production from $74 to $115 in cash per ton. Five hundred tons were purchased at $262 in Central Pacific stock, with $5 additional added for delivery in New-York or Boston; and that the average price paid in New-York during the entire work was $50 a ton. The freight from New-York to San Francisco, around Cape Horn, averaged $17 50 per ton; insurance was from 5 1-2 to 17 per cent. It will therefore be seen, that the cost to the Central Pacific of rails in San Francisco, at the lowest rate of insurance, without interest, was $101 50 per ton. To this must be joined the cost of transportation from San Francisco to the western end of the Central Pacific, which averaged $92 per ton; and the cost of moving to the point of construction being added, makes it entirely safe to calculate that the average cost of the rails used on the Central Pacific was not less than $125 per ton laid in the track.

These enormous prices and expenses, added to the general character of the country through which the Central Pacific was built, and the difficulty of obtaining fuel, and the long distance over which water was transported for the use of the engines engaged in the construction and of men employed, is one of the reasons why, joined to others discussed hereafter, this company exhausted the proceeds of all the aid granted to it in bonds by the United States, and such portion of the lands as it had sold at the completion of the road to Promontory, and the proceeds of the first mortgage bonds which it had issued, and all the aid which it received from the counties of California, and the proceeds of its bonds, the interest on which for twenty years was guaranteed by the State of California, and the moneys received from the sale of the stock of the Central Pacific, in the construction and equipment of the aided road between Sacramento and Promontory Point, and the purchase from the Union Pacific of the road between Promontory and Ogden, so as to comply with the act of Congress, that the common terminus and point of junction should be fixed at Ogden, and that at the completion of such construction and purchase it was several millions of dollars in debt.

The charge, so often made, that the promoters of the Central Pacific made great profits in the construction of the road, is utterly refuted. *When it was finished they could not have paid their debts from the assets then remaining.* The secretary of the company has shown the faithful expenditure of every dollar received prior to the completion of the road—that it was all consumed in construction and equipment.

No one who reads the evidence given before the United States Pacific Railway Commission will deny that the promoters of the Central Pacific enterprise labored earnestly and manfully not only to fulfil their contract with the Government, but to comply with its wishes for an earlier completion of the road; and they did it without regard to their own pecuniary advantage; believing that the Government would treat them equitably in the premises.

The Government and the people were very anxious for the fruition of the scheme that had so long held a prominent place in the public mind. The early events of the war had shown the peril of not having frequent and rapid communication between the Atlantic and Pacific States; and the companies having the work in charge did all that lay in their power to gratify the popular desire for its early completion, without regard to the cost to themselves.

Before the roads were fully finished the Government began to realize benefits from the partial fulfilment of the contract, in its facilities for transportation of mails, and of troops and munitions of war to its various forts, and by the opportunity of communicating with the commanding officers by telegraph.

These benefits and advantages to the Government increased with the further progress of the road, until it was finished.

When the Union and Central Pacific connected their tracks they had performed all their part of the contract to the best of their ability. They had accomplished the great work that had filled so large a space in the public thought; and they put the easements and facilities which their lines afforded at the disposition of the Government, to the great advantage of the nation, and the protection of its territory.

CONGRESS AIDS RIVAL ROADS.

In July, 1864, on the very day the contract between the Government and the Union and Central Pacific was amended, Congress passed an act subsidizing the Northern Pacific Road, the effect of which was necessarily to take from the Central Pacific the business north of California. And in July, 1866, while the constructors of the Central Pacific were bending all their energies, as we have heretofore shown, and seeking every aid within human reach to tunnel the rocks of the Sierra Nevada Mountains, to remove the masses of compact snow, to cut down the timber and clear a suitable bed for their rails, the Government subsidized still another road, the Southern Pacific, the building of which could only result in taking away from the Central a large portion of the transcontinental traffic intended for California, and which the construction of the Union and Central was intended to control, and to compel the Central Pacific, for its own protection, to purchase it, and to limit its ability to respond to the demands of the Government, and to decrease the amount of the net earnings which, under its contract, it was obligated to render to the Government.

It will not, of course, be contended that if Congress, acting for the best interests of the nation, thought it wise to subsidize these roads, it should have refrained, because of the contract it had made with the Central and Union Pacific; but its action in this respect certainly does raise many equitable considerations, which should be considered and determined in the settlement of the questions now existing between it and the corporations.

After the lapse of time we are apt to underrate the obstacles that attended an effort successfully accomplished.

Even seven years after the road was completed, the embarrassments of its constructors had partially faded from the public mind, as we learn from the following extract from the letter of Mr. Huntington, dated April 3, 1876, to Senator Edmunds, which was printed by order of the Senate:

The relations between the Government and the Pacific Railroad Companies, growing out of the acts of 1862 and 1864, whereby the United States, in time of war, advanced its bonds, in order to insure and hasten the construction of a railroad and telegraph line between certain points on the Missouri River and the Pacific Ocean, and especially the pecuniary obligations created thereby, have again been pressed upon the attention of Congress and of your committee.

The spirit and aim of those acts, it is well known, was to establish, without the direct agency of the nation, railroad communication across the Continent, and this object has been attained under the terms and conditions then made, but years ahead of the allotted time. Commonplace as the achievement may seem now, at the time of its inception it was deemed a work so novel, so bold and vast, that but few believed in its success, while there was a general apprehension, both in the public mind and among their representatives, that it might be long delayed or fail altogether.

The physical and financial energy and ability so auspiciously displayed to overcome the impediments encountered, can scarcely be well considered or determined under the dome of the Capitol.

V.

OBSERVANCE BY THE CENTRAL PACIFIC OF ITS OBLIGATIONS TO THE GOVERNMENT.

But it is now said that the Central Pacific Railroad Company has not been mindful of the obligations imposed upon it by the laws of the United States under which it received aid for the construction of its road.

It will be difficult certainly for the most avowed enemy of this company to substantiate the proposition.

If they had kept to the rigid terms of their contract, and had opened the road, as its letter required them to do, on the 1st day of July, 1876, instead of on the 10th of May, 1869; if they had availed themselves of their opportunities of buying in the cheapest market at a favorable time, instead of exhausting all their resources, as they did, and when the first through train was run over the road, owing a debt they could not have met if they had been pressed to pay it, they would, out of the sum of more than fifty millions in gold which they expended in the construction of the road from San Jose to Promontory, have saved at least twenty millions.

In what other respect have these companies failed in their obligations to the Government?

Have not the United States all that they bargained for?

Has not the Government the benefit of this condition to the fullest extent whenever it chooses to use the railroad, instead of seeking for a cheaper mode of transit around Cape Horn or over the Isthmus of Panama? Has there been any failure of the company in its obligation in this respect?

The purpose stated in the title of the bill is,

To secure to the Government the use of the same for postal, military and other purposes.

The road and all its equipment has been at all times open to the use of the Government whenever its sense of economy would enable it to pay the same rates as were paid by private citizens for the same services, instead of sending its business around Cape Horn, or through foreign countries, in defiance of the terms of its contract with the company.

It stipulated for the payment of 5 per cent from the time of the completion of the road. When the last section of the road was provisionally accepted by the Government this debt-ridden corporation, the Central Pacific, asked for the bonds and lands that were due to it in accordance with the terms of the contract. The answer was, No. Your road is not completed. We have a report of the Board of Civil Engineers that we have appointed, who say that you must spend nearly five millions of dollars to finish the road in the manner we require; and until it is so completed you cannot have the balance of the aid that is promised; and in addition to that we insist, as security that the road will be completed to the entire satisfaction of the Government, that you deposit with the Secretary of the Treasury four millions of your first mortgage bonds, and we will retain, in addition, as further security, all the lands which you are entitled to under the act of 1864. But, nevertheless, in the meantime, although your road is not completed so as to entitle you to payment, you must still render to us 5 per cent on the net earnings from the time that you run the first train over the road, from the time we have the full use of it in every respect.

The Central and Union Pacific demurred to this arrangement. But when the Supreme Court of the United States, differing as it did from the views expressed by the Court of Claims, and by the Circuit Court for the Northern District of California, reversed the judgment, and held that the United States was technically correct, and could, if it chose, persist in its inequitable demand, the Central Pacific at once obeyed the law and paid to the Government the amount which it claimed as 5 per cent upon the net earnings from the time the last spike was driven.

And so when the contract was changed by the passage of the so-called Thurman act, which the Central Pacific believed violated every principle of the law of contracts, it being advised and believing that the alteration of the original contract by the legislative department was beyond its authority, and that the act was invalid, submitted the matter to the courts, and when, against what might be said to have been the indignant protest of Mr. Justice Strong, Mr. Justice Bradley and Mr. Justice Field, the court sustained the validity of the act; the Central Pacific complied with it, and is still complying with it, although to the great detriment of the corporation and the Government, whose anticipations of benefit have not been realized, because the change was not based on sound principles.

Where is the evidence that the Central Pacific corporation has not kept its part of the contract, or that it has in any way failed to comply with any of its obligations to the Government? It has rendered to the Government all that was demanded in the contract, the building of the road, and in about one-half the time that the law allotted.

Whenever the rights of the United States have been ascertained, the Central Pacific has accorded those rights, and has cheerfully and promptly yielded to the demands of the Treasury upon it.

It is the merest perversion of language to say that this company has in any way failed in its obligations toward the Government.

But while there is no evidence to sustain such a charge against the Central Pacific Railroad Company or its officers, we find abundant evidence in the Executive departments of the Government to refute it.

NO IMPAIREMENT OF THE GOVERNMENT LIEN.

When the Act of May 7, 1878, was before the Senate, the Act known as the "Thurman Bill," by which the contracts between the Government and the Union and Central Pacific Railroad Companies were changed, without the consent and against the protest of the contracting parties, who, in reliance on the good faith of the Government, had built this National highway: Mr. Bogy, the Senator from Missouri, who favored this violation of the rights of the railroad companies, was compelled to yield the following tribute. He said:

"I look upon the building of the railroad from the waters of the Missouri to the Pacific Ocean, at the time particularly in which it was built, during the war as perhaps the greatest achievement of the human race on the earth. I am old enough to remember when the scheme of a railroad from the waters of the Missouri to the Pacific Ocean was looked upon as a wild dream, as a thing nearly impossible of accomplishment. Yet it was accomplished. And, in truth and in fact, it was accomplished at a comparatively small cost to the Government. The lands donated to the road were not worth a cent without a railroad. The Government had an empire lying west, between the waters of the Missouri and the Pacific Ocean—an empire which has sprung into great States and Territories from that day—a country which has become of great advantage, and which would have been utterly worthless without the railroad. It has bound to this portion of the confederacy the Pacific Coast with bands of iron, and no one can tell what might have been the destiny of that section during the war, if it had not been for the railroad. . . . I give to the men who originated and carried through this great enterprise all possible credit for doing a great thing, at the critical moment, in a very short space of time."

Senator Stanford, the President of the Central Pacific Railroad Company, in the testimony given before the Commission says, in substance, that during his administration as President of the Central Pacific Railroad Company, from it incorporation to the present time, there has never been any desire or intention, or any act done, permitted or suffered, with his knowledge, by which it has been intended to disregard the rights of the United States as a contracting party with the Central Pacific, and that in his judgment no such result has been obtained from any act done by the company which could in the ordinary course of business have been prevented.

Mr. Miller, secretary of the company, who has been connected with its affairs from 1862, says:

"Not in a single instance during my twenty-five years' connection with the affairs of the Central Pacific has its business been so handled, or its property managed, with the intent on the part of its directors or officers to infringe or impair the interests of the United States."

And Mr. Crocker and Mr. Huntington have testified to the same effect.

When the Act of 1862 was passed, it was the expectation of both parties to the contract, that the business which the Government would give to the companies would be sufficient, not only to discharge the interest upon the bonds, but to create a sinking fund for the discharge of the principal within twenty years. And when the amendment to the contract was passed in 1864, one-half the compensation was to be used, so far as would suffice, for the same purpose.

It was part of the contract, as formed by the passage of the Act of 1864, that the Central Pacific should receive in cash one-half of the compensation for work done for the Government; that it should not be required to surrender any portion of its earnings, other than the 5 per cent of the net receipts, until the maturity of the bonds, if at all.

But from a reading of the Act of 1862, although perhaps it is somewhat immaterial to state the proposition at this time the Government never expected to demand any payment from the company for the discharge of either principal or interest of the bonds, excepting the performance of the services described in that Act. There was not the slightest expectation on the part of either the Government or the Company that any portion of the earnings of the companies would be rendered to the Government, excepting the compensation for the transportation done for it.

But it would seem, by the evidence taken before the Commission, that the Government has withheld the transportation which, by the Act of 1862, and the Act of 1864, it contracted to employ the Central and Union Pacific to do.

FAVOR SHOWN TO COMPETING LINES.

Disregarding its obligations to those companies, it has chosen other routes of transit, often paying more for the service in cash. As is shown in the evidence of Mr. Gray, the General Freight Agent, and of Mr. Miller, the Secretary, it has sent the public stores and supplies around Cape Horn and across the Isthmus of Panama, and of late a portion of its business between points in the Atlantic States and points in the Pacific states has been done for some distance by a foreign corporation, the Canadian Pacific Railroad.

Not only has the Government refused to perform its contract, in giving its business of transportation to the Central Pacific, as that contract required it to do, at the same price that it paid to other and competing lines, but it has absolutely refused to send it by the Central Pacific, an aided line, when its rates were the lowest it could obtain.

On this subject, the United States Auditor of Railway Accounts says:

"The Government has taken away business across the State of Nevada, and has also given transportation to the Northern Pacific, the Southern Pacific, the Achison, Topeka and Santa Fe, the Atlantic and Pacific and the Canadian Pacific, all rival roads, and is paying them full rates, when they could get it done for less rates by the aided Central Pacific."

The effect of this departure by the Government from the plain terms of the contract, may be best understood, when it is stated that the action of the Government in the subsidizing of rival lines, and transferring the business of the Government to them, has resulted to the present time in decreasing the receipts of the Central Pacific over seventeen millions of dollars, within three million dollars of the entire amount of aid derived by the company from the loan of the bonds of the Government; and this consequence is an equity to be considered and allowed in stating the account between the Government and this Company.

It is shown by the books of the Central Pacific, that all the business done for the Government by that Company, in the transportation of freight, for the sixteen years between 1870 and 1885, inclusive, amounts to but $1,098,047. That the cost for the same service which would have been paid, at the rates charged to the United States prior to the completion of the Central Pacific Railroad, would have been $10,721,218.

And by a table annexed to the deposition of Mr. Miller, the Secretary of the Central Pacific, it appears that in addition to the $1,098,047 paid to the Central Pacific, the total amount paid to the Union Pacific for the same sixteen years was $4,642,706, making the payment to both companies $5,740,753. That at the rate formerly paid by the United States for such services, the charge would have been $61,161,703, making a saving to the United States during those sixteen years by the construction of the Union and Central Pacific Railroads of $55,421,554. Which is $11,202 more than the principal of the bonds issued by the United States to the Union Pacific, the Central Pacific and the Western Pacific.

But, in addition to this saving in the transportation of freight for the same sixteen years mentioned above, the United States paid to the Central and Union Pacific for the transportation of troops and passengers moving on the business of the Government $4,616,053.

Taking the reports made to the War Department by various Quartermasters, it is shown that for the services rendered, included in the last mentioned figures, there would have been paid by the United States before the construction of the railroad $49,174,967, making a saving to the Government of $44,562,914, which, added to the amount saved on transportation of freight, leaves in the Treasury of the United States over one hundred millions of dollars, between the amount paid to the railroad companies and the amount it would have paid for like services if the railroad had not been built.

But this does not state the entire financial benefit to the United States. On the 21st of October, 1868, the Post Office Department contracted with Wells, Fargo & Co. for the transportation of the United States mails between the western terminus of the Union Pacific and the eastern terminus of the Central Pacific, for the term of one year, from October 1, 1868, until the two railroads should meet, at the rate of $1,750,000 per annum, subject to reduction pro rata for every section of fifty miles of railroad completed. This contract expired on the ninth day of May, 1869, when the Union and Central effected a junction.

But the Government did not deal so liberally with the railroad companies. The entire distance of the services, performed by Wells, Fargo & Co., was 1,095 miles; but for the nearly 1,900 miles over which the Union and Central carried the mails of a very much larger bulk than that moved by Wells, Fargo & Co., and which has been and is constantly increasing, the Government has paid to the Union and Central from July 1, 1868, to December 31, 1885, as compiled from the reports of the Postmaster-General for the several years, $10,606,507 22. At the rate paid for the tardy service, and the small volume of mails transported for the same length of time prior to the completion of the roads, the Government would have paid $49,970,780 49, leaving a saving to the Post Office Department of $39,364,273 29, making the entire saving to the United States for the sixteen years following the completion of the road, an amount exceeding one hundred and thirty-nine millions of dollars. And this saving was effected in one-half the time that the bonds loaned to these companies had to run, or, in other words, leaving fourteen years to run before the maturity of these bonds. Computing at the same rate, the entire saving to the Government at that time will be about $290,000,000. The Commissioner of Railroads, in his report for 1883, says:

"The saving to the Government has greatly exceeded the current interest it has paid."

Shall it be said, in view of such an enormous financial benefit to the Government, and its failure to accord to those who contracted with it, and who have been the factors to produce this result, the benefits that were promised from its transportation and postal service, that there are no equities to be considered in determining the present relation of the Central Pacific Railroad Company and the United States? As the Commissioner heretofore quoted from said, in his report for 1883:

"All these considerations appeal with great force to the liberality of Congress," and we add, but more to its sense of justice.

CAN THE NATION VIOLATE ITS PLEDGES?

There should be no unkind feeling on the part of the Government or any of its departments toward the men and the corporations causing this saving to its Treasury.

These men should not be met with vituperation or disdain; there are equities in their position which it would be infamous in the Government to disregard. They should be treated with justice.

The United States invited these men, using the language of Mr. Justice Davis, to aid them in performing a National work. They have done more than their part; but the Government has failed in the most valuable part of its engagement.

Not only this, but it has changed the contract by the mere might of its legislative power, compelling these men to meet an obligation before it was due. It does not afford these men even the advantage of a respectful or impartial hearing. They are met by the Government and its organs with aspersion and contemptuous abuse.

In addition to retaining all the earnings of the company from Government transportation upon the aided road, the Government has refused to pay for the services rendered on connecting railroads built by private capital, now amounting to about two millions, the loss of which and payment of interest, and the pledging of securities to borrow an equal amount, subjects the company to great embarrassment.

The question as to the liability of the Government to pay the company the money earned on the unaided roads has been determined by the Court of Claims, and the judgment of that court has been affirmed by the Supreme Court of the United States. The court, in that case, speaking through Mr. Justice Woods, said:

"The subsidy bonds granted to the company being granted only in respect to the original road, are a lien on that portion only; and the 5 per cent of net earnings is only demanded on the net earnings of said portion."

And, citing from the opinion of Mr. Justice Bradley in a previous case, the following:

"With this decision in view, it would be impossible to hold with any show of reason that the compensation for services rendered the United States, which, by the same section, is required to be applied to the payment of the same bonds, included compensation for services rendered by a road the construction of which had not been aided by the issue to the company of Government bonds. As the contract between the United States and the railroad company, contained in the Acts of July 1, 1862, and July 2, 1864, has been interpreted by this court to authorize the retention by the Government of compensation for services only on the road which the United States aided in building, the construction which the appellant seeks to put upon the second section of the Act of May 8, 1878, would not only render that section a breach of faith on the part of the United States, but an invasion of the constitutional rights of the apellee. We are bound if possible, to so construe the law as to lay it open to neither of these objections. The construction contended for by the appellee preserves the good faith of the Government."

But notwithstanding that decision, although rendered at the October term of 1885, the Government still refuses to make payment to the Company for the services performed on the unaided road, and still retains in its Treasury nearly $2,000,000 on which the company is losing the same rate of interest it is charged by the Government, $120,000 per annum.

There is no reasonable pretext for the Government refusing to obey the judgment of the highest court.

It has drawn from the Central Pacific every dollar which it is by law authorized to receive, and its refusal to accord to the Central Pacific its rights, as declared by the highest tribunal of the country, is an act unworthy of any civilized government. It has used its power to make a forced loan, and to retain the property of a citizen; as was said by Mr. Justice Bradley, it has asserted the principle that might makes right, and is guilty of acts of oppression that we should condemn, but not wonder at if performed by the authorities of a petty Central American state or by a ruler in Algiers.

DIVIDENDS.

The Commissioners are charged to inquire whether any dividends have been unlawfully declared by the directors, or paid to the stockholders of such company, and if so, to what extent, and whether the amount thereof may not be recovered from the directors unlawfully declaring the same, or the persons who have unlawfully received the same.

As an original proposition, it would seem as if this was a matter that rested between the stockholders and the corporation, and not between the Government and the company.

But the opinions of the Supreme Court of the United States in the case of the United States vs. the Union Pacific Railroad and others, (98 U. S., p. 569,) decides:

That the United States has two distinct relations to the railroad company, viz.: the legislative and visitorial power of the Government creating the corporation, and the relation growing out of the contract formed on the charter and its amendments.

The suit in that case was brought under the statute of March 3, 1873, and asked for a decree in favor of the Union Pacific Railroad Company, for money due for capital stock, for money or property received from it on fraudulent contracts, and for money or property which ought, in equity, to belong to the company.

It was held that the bill exhibits no right to relief on the part of the United States, founded on the charter contract; that the company has constructed its road to completion, keeps it in running order, and carries for the Government all that is required of it. It owes the Government nothing that is due, and the Government has the security which by law is provided.

Such is the position of the Central Pacific Railroad Company toward the Government at this time. In its relation of debtor and creditor, the United States has that security upon the property of the company which it demanded. Nothing is now due or payable; and it has no concern with the disbursement of the earnings of the road, until some default occurs in the payments which are fixed by the contract, or in the forced changes thereto made by statutes.

It will be remembered that the Central Pacific Railroad Company was not completed on the proceeds of the bonds furnished by the Government. That aid, granted by the passage of the Act of 1864, if disposed of at that time, the price of gold being 2 90, would have yielded but $9,005,407; but as after the close of the war, the credit of the Government improved, and by selling the bonds to the best advantage that the haste in which the road was constructed enabled it to do, something over twenty millions was realized, which was less than two-fifths of the cost of the road from Sacramento to Ogden. But, after all, the assets which the Central Pacific had for the completion of the aided road, including the proceeds of such portion of its work which had been sold, were, as we have heretofore shown, entirely insufficient: it was heavily in debt, which it could not have retired if it had been pressed to do so at that time.

In the course of the investigation a witness was asked by one of the commissioners: What effect would it have had on the Central Pacific Railroad Company's property, if, instead of dividing eighteen millions, between 1877 and 1884, among its stockholders, it had been applied to bettering the condition of its road, and extending its earning capacity? Do you not think, that if this had been done, the road would have been in better shape to repay its debt to the Government than it is now? That is the position assumed by the Commission on behalf of the Government, and may be answered here: The Central Pacific has discharged all its financial obligations to the Government as they arose. It is not in default. It has rendered to the Government everything the contract required in keeping its road in good condition, in yielding it to the use of the Government whenever demanded. It has paid the Government all that it agreed to pay, all that has been extorted from it by legislative hostility in adding to its contract burden; and the Government having provided the manner in which the principal and interest of the bonds should be paid, must take its satisfaction in that way. The mortgage which the Act of 1862, Sec. 5, says should ipso facto exist in favor of the United States on the issue and delivery of the bonds to the company, is not upon the tolls, income, rents or profits of the company, except to the extent of 5 per cent of its net earnings, but is "on the whole line of railroad and telegraph, together with the rolling stock, fixtures and property of every kind and description, and in consideration of which said bonds may be issued."

SHOULD INNOCENT STOCKHOLDERS BE DESPOILED?

In the mean time, the road belonging to the corporation, it has a right to divide from time to time among its stockholders all its surplus earnings—all the earnings not required for the performance of its contract, or the law which impairs that contract; and the Act of 1862 recognized this right, up to 10 per cent per annum, as a remuneration to the stockholders.

But the Central Pacific Railroad Company, from its incorporation to 1884, paid more than the amount mentioned by the examining commissioner. The total payments were $34,308,059, or about 2.65 per cent per annum. Of this amount, ten millions were earned from a profit on leased lines, and about four millions from other non-aided roads not included in the leases, and about twenty millions from the aided roads during the mining prosperity in Nevada, and before its earnings were crippled and interfered with by the competitive lines subsidized by the United States, and during the time that the Government was unable to divert its business from it to an unaided line. But for those lines, one of which the Central owners, for their own protection, were forced to purchase and complete, the financial ability of the Central Pacific to comply with the demands of the Government would have been essentially different from what they are now.

It will not be denied that those who put their money into this enterprise were entitled to large dividends for the risk that was incurred.

As was said by Senator Trumbull, in the debate preceding the passage of the act of 1864:

All that Congress proposes to do is to do enough and only enough to induce capitalists to build this Pacific Railway. We shall be indebted to them when they do that. . . . All we want is to obtain the construction of this road; that is what is of national importance. . . . Sir, this is not an ordinary enterprise. The Senator says large inducements are held out. Why, sir, it is a great undertaking. It is for the building of a railroad through a wilderness country and over mountains where, unless there is some inducement, capitalists will not be likely to construct the road. . . . It is a great enterprise. It is great, certainly, in one particular. It is great in the hazards which are run by those who may embark in it.

Mr. Wilson said:

I want to be a liberal in money. . . . If, by the liberality of this Government, either by money or land, we can induce capitalists to put in the money necessary to complete the road, we shall have achieved something for the country.

Mr. Washburne said, in the House of Representatives:

I do not believe there is one man in five hundred who will invest his money and engage in building this road as the law now stands, and we must, therefore, hold out inducements for them to join in the undertaking. We must grant the facilities which are needed. . . . We want this road, stretching from the granite hills of New-England to the golden sands of California. When completed, it will far outshine in grandeur and usefulness the famed Appian Way. It will be the greatest and most useful work done by man.

The $2 65 per annum, which the dividends to stockholders averaged, does not cover the whole time in which their money was invested, and it is entirely fair to calculate that the average returns would not be over 2 per cent per annum.

But can the Government with any reason complain of the returns made to the stockholders, when contrasted with its own dividends upon the bonds which it has advanced to the company and the interest that it has paid?

| | |
|---|---|
| The advances to the Central and Union Pacific Railroad Companies are of the par value of . . . | $55,002,192 00 |
| It has paid for interest up to the first of January, 1886, for the Union Pacific. . . . . $29,045,327 21 | |
| For the Central and Western ers $23,289,156 21 | 58,342,483 42 |
| | $113,134,675 42 |
| It has received from the Central Pacific, for five per cent of its net earnings, from 1869 to June 30, 1878. . . . . | 1,871,430 00 |
| It has received one-half transportation charges on aided lines of the Central Pacific, from 1867 to June 30, 1878, | 1,745,598 47 |
| And since the last mentioned date the payments under the Thurman Act requirements have been sufficient to increase the amount to . . . . . | 10,427,228 11 |

And this amount is increased by the two millions due to the company for services on unaided lines, which, as the debtor is execution proof, may, for the purpose of this statement, be reckoned as a payment.

It has saved, as previously shown, in the transportation of freight, troops and passengers, over one hundred million dollars.

Saved in transportation of United States Mails for the same sixteen years, $39,364,273 25—making a total of $154,586,885 78.

In addition to this saving of money it has, by the building of these roads, pacified the Indians along the line, so that some of its forts have been abandoned and its troops withdrawn; and what is of more consequence than the amount that has been received or retained, or will be retained in the Federal Treasury is, that the settler can now sow and reap without incurring the risk of an attack from hostile Indians, and can return from his day's labor without finding his home in ashes and his wife or children murdered or brutally outraged; and the lives of the young men previously sent to garrison the frontier forts are no longer the prey of the tomahawk or bullet of the savage. And in addition, when occasion arises for moving the troops of the United States, instead of marching twenty miles a day, they are now moved five hundred miles in the same time.

Quartermaster-General Meigs, in his report, dated November 8, 1865, (see Report of the Secretary of War, 1865-66, Vol. I., p. 113,) commenting on the cost of transportation over the Plains, shows that a bushel of corn cost—

| | |
|---|---|
| $2 79 | at Fort Riley. |
| 9 44 | at Fort Union. |
| 5 03 | at Fort Kearney. |
| 9 26 | at Fort Laramie. |
| 10 05 | at Denver. |
| 17 00 | at Salt Lake City. |

He states that—

The cost of transportation for military stores westward across the Plains by contract during the fiscal year ending June 30, 1865, amounted to $6,338,856 57.

"This expenditure," the Quartermaster-General continues, "would be reduced by the opening of railroads, by a sum which would aid materially in paying interest upon the cost of their construction."

At the same time, the cost of transportation of a pound of corn, hay, clothing, subsistence, lumber, or any other necessary of the troops, from the base of supplies at Fort Leavenworth, was as follows:

| | | |
|---|---|---|
| To Fort Riley, per pound | . . . | 2.46 cents. |
| To Fort Union. " | . . . | 14.35 " |
| To Fort Kearney, " | . . . | 6.44 " |
| To Fort Laramie, " | . . . | 14.10 " |
| To Denver, " | . . . | 15.35 " |
| To Salt Lake City, " | . . . | 27.84 " |

THE PIONEER LINE TO ASIA.

Some of the fruits of their peaceful victories may be seen at the wharves of San Francisco, on the arrival of one of the huge steamers that ply between that port and Hong Kong or Yokohama. You will see, alighting from such vessels, men bearing authority from the Emperor of China to represent his interests with the Governments of Washington, London or Paris. You will see British diplomats, who in fifteen days will be in conference with the chiefs in London on the affairs of the English Colonies in the Pacific.

You will see officers of the French and German navies, who have been summoned by their respective Ministers of Marine to report at headquarters. You see unlading from the steamers the products of China and Japan—tea, silks and various manufactures of Asiatic labor—to be distributed between San Francisco and the Mississippi. All these results, emanating from the indomitable courage and perseverance of these men, who were not slothful in business, but were fervent in the spirit of their great works—serving the Lord by their grand achievement.

Are not the men whose energy has accomplished so much, who performed this great work in so short a time, as if by magic, who have thus conduced to the convenience, safety and commercial advantage of the world, and more especially of our own citizens, entitled to some favorable consideration at the hands of the people's representatives in the determination of the present controversy? And are they not entitled to such dividends or pecuniary reward as results from their skill in handling the enterprise?

They will receive no more in the way of dividends; the competitive lines aided by the Government will prevent that.

VII.

CONTRACTS FOR THE CONSTRUCTION OF THE CENTRAL PACIFIC RAILROAD.

The officers of the Central Pacific Railroad Company have been unsparingly denounced for their action in letting these contracts; but it will be seen, on a fair review of their situation at that time, it was the wisest and most advantageous thing that could be done for the interests of the corporation and the Government and that it was the only practical way in which the road could then have been built.

The immigration to California commenced in 1849, and for the succeding five years it was peopled with a rapidity unknown in history. California become a State on the 9th of September, 1850, so that at the time of the passage of the Act of Congress of 1862, it had been within the Union a little short of twelve years.

The promoters of the Central Pacific were, speaking comparatively, old residents, in a country which had had an American population for less than thirteen years. Large fortunes at that time had not been accumulated, and they were acquainted with all the men in California who had money to invest or to loan. The banking capital, of course, could not be great. These were not a great many men who had any surplus not required for daily use in their business. The directors would willingly have let the contract to parties who were interested in their corporations if such persons could have been found. Or the corporation would have constructed the road within its own organization if it could have commanded the necessary funds. For the lack of finding these, Mr. Crocker proposed to take a contract for the construction of the first eighteen miles of the road, and for that purpose resigned his seat in the Board of Directors, to which he had been elected at its organization, he believing, and the directors agreeing, that he would be more useful to the purposes of the company in the speedy construction of the road as a contractor than as a director.

But from the handling of the first shovelful of earth at the City of Sacramento until Mr. Crocker completed his labors as a contractor, at or near the eastern boundary of the State of California, it was not contemplated that any profits should be made in the work of construction. The idea was to get the road through in the quickest possible time, so as to give the Government its use as early as possible and that the promoters should, if possible, retain their interest in the corporation at the time the work was completed.

It is in evidence that the firm of Charles Crocker & Co. was formed, but at such formation Mr. Crocker had no partner. His intention was, as he proceeded with the work and demonstrated its practicability, to invite others to join him; but in this he appears to have been disappointed. His financial position as contractor was not sufficiently inviting to attract an associate with capital.

When the work on the mountains began, when, in the language of the Superintendent of Bridges, the snow had to be removed to a depth of twenty to thirty feet, so as to find a resting place for the timbers used for trestle and bridge purposes, that they might be stored upon the ground that had been cleared from snow and not be liable to be washed away by a thaw, Mr. Crocker found that he had probably assumed a task beyond his financial strength. So we find him complaining of his burden to the directors. It would seem that the work of grubbing and clearing the line of track, removing trees and stumps at a cost of from two to five thousand dollars a mile, so that the embankment of the railroad could be made upon it, threatened to engulf him. And we can imagine his cry to the other promoters of the road: "Save me, or I perish."

Mr. Stanford testifies:

But it very soon became apparent that no ordinary rules that would govern between contractors would answer the purpose of the rapid construction of the road; that sacrifices must be made which the company could afford, but a contractor, looking to profits out of his contract, could not. Mr. Crocker became apprehensive about his personal liabilities.

He was then told to go on with the work without regard to the terms of the contract, and that the directors would "see him through." Some portions of the road on the western side of the mountains had been let to small contractors. Some had performed their contracts; some had not. Mr. Crocker assumed the contracts of those who were derelict, and did the work at the price at which it had been let. But it was evidently impossible to obtain contracts from responsible people for building over the mountains; and if such contracts had been let, it would simply have resulted in delay and expense to the corporation; for the contractors could not have performed their agreement. It was a new work. Nothing like it had been seen in this country, or, I may say, in any other. The great railroad building over the Mont Cenis route, in Switzerland, and over the Tyrol, in Austria, great feats of engineering, as they were claimed to be, and as they undoubtedly were, sink into utter insignificance in comparison with the construction of a road over, or I may say through, the Sierra Nevada Mountains. On the Swiss or Austrian roads they are not protected by miles of snow-sheds and galleries; nor are the mountains terraced from the base to nearly the apex with a series of retaining walls to prevent the avalanches of snow demolishing the snow-sheds, or proving graves to the builders; for the tracks upon these lines have no such protection. They were but few who believed in the practicability of the work, or who thought it could be successfully carried to completion.

It would have been utterly futile to have attempted to bind any contractor, not interested in the future of the company, to perform that work. The corporation was not in a position to agree to make payments at fixed dates. Mr. Crocker understood its position. He undertook the work, knowing that he would get his pay just when the corporation could raise it, and not before. No other solvent contractor would have made any such arrangement, nor could any solvent contractor have been obtained to accept the contract which Mr. Crocker undertook.

From sections one to eighteen, that is, from the levee at the City of Sacramento to the eighteenth mile post, Mr. Crocker undertook to perform the work for $400,000: $250,000 in cash, $100,000 in the bonds of the company, and $50,000 in stock.

But it is claimed that Mr. Crocker and the directors of the Central Pacific made large profits in building the road over the mountains. It must be admitted that ultimately, after many years of waiting, they did realize some profit from the retention of the stock, which Mr. Crocker took in part payment of his work; but to make that stock of value they had to spend years to develop business on the road, and to build at their own cost and risk branch roads to bring traffic to the main line.

For the 100 miles, from section 32 to 132, which means from Newcastle to the Truckee River, near the State line, there was paid to Mr. Crocker, as is shown by the books of the corporation, $8,227,980, which is at the rate of $77,022 per mile; and there was also; add to him $14,657,996 in stock of the company.

So far as the stock payment was concerned, it cut no figure at the time as an asset for building the road. It could not be sold, it could not be bartered, and was useless as a collateral.

We have it from the evidence of Mr. Stanford, that when the road had been constructed to the State line, the company had spent all its available resources, and all the securities that could be issued on that part of the work, including the bonds loaned by the Government, and were in debt for obligations incurred upon that portion of the work, and the same result is proved by reference to the statistics now on file in the Treasury Department in relation to the construction of this road.

It is very certain, from the information we have as to the cost and character of the work, the rapidity and the consequent want of economy with which it was done, that the sum of $8,227,980 did not cover the entire outlay. The balance was assumed by Charles Crocker and the directors who came to his rescue. The estimate has been made by Mr. Stanford, and no doubt correctly, that the cost of the work done between the 31st and 138th miles for the reception of the track equalled, in day's work, the whole cost of grading a railroad from Truckee to Chicago, a distance of nearly twenty-one hundred miles.

IX.

CONTRACT AND FINANCE COMPANY.

The extreme financial pressure, under which the work entrusted to Charles Crocker & Co. was performed, and the difficulty of inducing people of means to become members of a private partnership, led to the formation of the Contract and Finance Company.

It was supposed by the directors of the Central Pacific, that by granting the contract to a corporation, upon liberal terms, to complete the road from the State line to the connection with the Union Pacific; the owners of capital in the eastern cities might be induced to become stockholders in such corporation, and, in this way, to insure the completion of the work, of which, at that time, the directors of the Central Pacific had very grave doubts.

It was not, as Mr. Stanford says, a matter of profit to the promoters of the Contract and Finance Company; it was a plan to prevent, if possible, the utter failure of the enterprise.

Mr. Huntington testifies, that in his correspondence with Mr. Hopkins, when the latter asked him how much of the stock in the Contract and Finance Company they should take, he