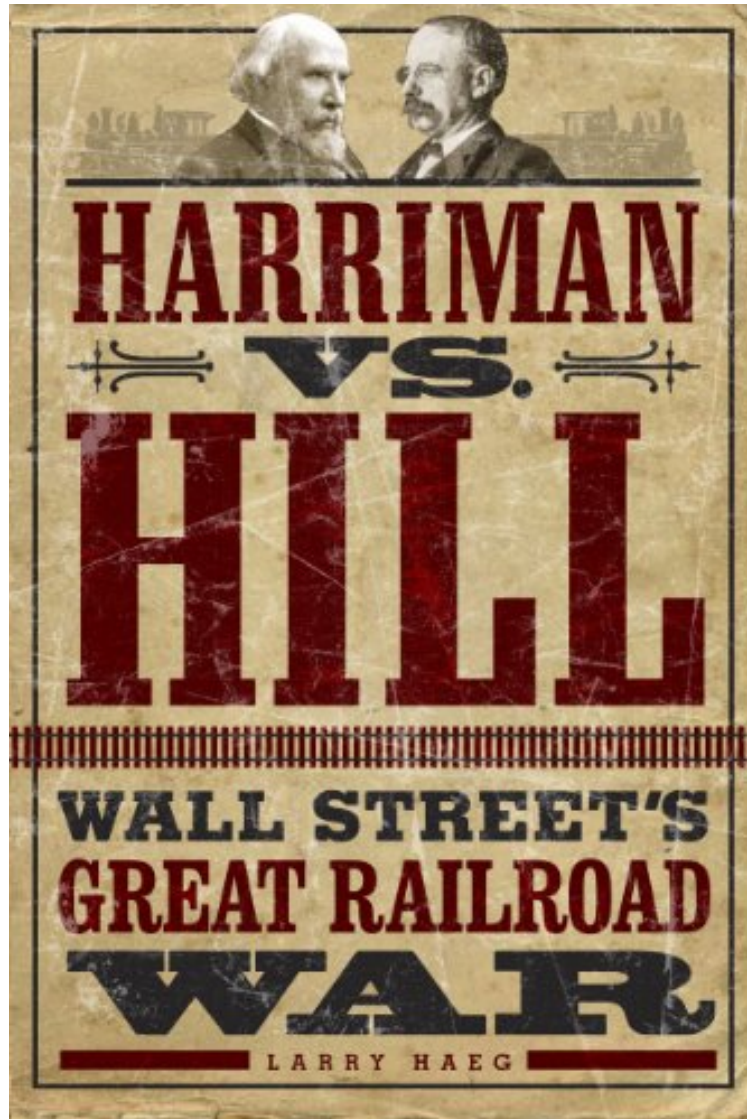


(Mobile book) Harriman vs. Hill: Wall Streetsquo;s Great Railroad War

Harriman vs. Hill: Wall Streetsquo;s Great Railroad War

Larry Haeg

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Larry Haeg : **Harriman vs. Hill: Wall Streetsquo;s Great Railroad War** before purchasing it in order to gage whether or not it would be worth my time, and all praised Harriman vs. Hill: Wall Streetsquo;s Great Railroad War:

7 of 7 people found the following review helpful. A Battle of the TitansBy David ShulmanLarry Haeg brings to life an era when Wall Street was the wild west and regulation was nonexistent. The giants of finance and industry dominated the stage like never before or after. The great railroad war arises out of the the strategic dilemma faced by both Harriman's Union Pacific and Hill's Great Northern. The eastern terminus of the Union Pacific is St. Louis and the eastern terminus of the the Great Northern is St. Paul. In order to efficiently bring grain from the west and trade to and from China both needed access to the the great railroad hub of Chicago. That access could be provided by the Chicago,

Burlington and Quincy which was controlled by the Northern Pacific. Each fears that control by the other would lock them out of Chicago. Harriman starts the war by quietly gobbling up common and preferred shares of Northern Pacific through his banker Jacob Schiff of Kuhn Loeb. Hill seeing the activity in Northern Pacific starts buying too through his banker, J.P. Morgan. The war is on. Soon more stock is bought than can actually be delivered because short sellers seeing the rise in Northern Pacific stock come in and short the stock. A corner, where no deliveries can be made, ensues driving the stock of Northern Pacific up from \$110 a share to an astounding \$1000 a share in two days. Realizing a corner had taken place, Schiff and Morgan agree to settle at \$150 a share and Northern Pacific drops precipitously to \$150 a share. The titans then settle their dispute with a three way merger bringing the railroads under the roof of a newly formed holding company, Northern Securities controlled by Hill and Harriman's Union Pacific. It is here where President Theodore Roosevelt intervenes with an antitrust lawsuit that goes all the way to the Supreme Court dissolving Northern Securities. Quite a yarn. Along the way we get a peak into New York society, especially at the old Waldorf Astoria. There are also cameo appearances by Bernard Baruch and Jesse Livermore. Haeg's sympathy is with the titans and against the government and the crippling railroad rate legislation that was to come. However, he fails to fully appreciate that the railroads of 1900 were quasi-monopolies that were in need of regulation. However, over time with federal subsidies for barges and the advent of trucking the rail monopolies would wither away and force much of the industry into bankruptcy. Over the long run Harriman and Hill had it right. Consolidation was necessary and the Great Northern, Northern Pacific, and Chicago Burlington and Quincy along with the Santa Fe are now under one roof, the Burlington Northern owned by Warren Buffett's Berkshire Hathaway. For those readers interested in getting a very real sense of what Wall Street was like in 1901, this book is a great read. My one and very real criticism of the book is that stock charts would have been very helpful to clarify the text. 1 of 1 people found the following review helpful. Genesis of today's BNSF railroad. By John IFascinating story which resonates in today's two-level economic system and polarized political environment. The author has extensively researched the story, and the back-stories add much color. However he is clearly more sympathetic with Hill than Harriman, and not at all an admirer of Teddy Roosevelt. I never realized the extent to which railroad stocks dominated the market at the turn of the 20th century. Nor that the first trust that Roosevelt busted was Hill's Northern Trust, which controlled both the Great Northern, Northern Pacific and Burlington railroads. The author avoids labeling Hill, or any of his contemporary railroad tycoons, as "robber barons." They were, in his description, just hard-working entrepreneurs, dedicated industrialists and financiers, while the federal government was simply inept. In the end, the author implies that if the federal government had not meddled, today's BNSF railroad would have come into existence 80 years earlier than it did, to the nation's economic benefit. I'd dispute that conclusion. But the book was still a fascinating read. 4 of 4 people found the following review helpful. Amazing insight to an era By G. R. Carter I have long been fascinated by the so-called "Robber Barons" but have never encountered such a broad cross-section of the personalities and life styles which made up the class. If you believe Haeg, the "1%" of the early 1900s were basically sincere, honest people of good, noble intent, who were vilified and targeted by the government for political advantage. (I'm not sure I completely buy it, but he does put forth a convincing argument!) Somewhere about the middle of the book, I became intensely aware of the remarkable parallels between that time and today. The story revolves, initially, around the development of railroad transportation systems between Chicago and the Pacific coast. Edward H. Harriman was head of the Union Pacific railroad. (He actually had interests in numerous others, detailed in the book). James J. Hill controlled the Great Northern railroad, and also had multiple other involvements. J.P. Morgan had rescued the Northern Pacific from bankruptcy and essentially controlled it, among his many diverse financial interests. Hill, with Morgan's assistance, was attempting to acquire the Burlington line to provide a direct link into Chicago. Harriman saw this as a threat to his territory, unless the Union Pacific could participate in the arrangement. The battle lines were drawn not on the Great Plains, but around the trading posts of the New York Stock Exchange. The struggle for the Burlington became a struggle to take control of the Northern Pacific from Morgan through the purchase of a majority of the stock on the open market. (The behind-the-scenes machinations involved are true to my image of "robber baronery," yet each of the key players is portrayed as acting with integrity and without real malice.) As the stock prices rose and the rumors flew, greed influenced the stock market more than common sense. Eventually, so much stock had been sold "short" (i.e., borrowed shares, without actual ownership) that there was not enough stock available, at any price, to deliver the promised shares when due. Neither the Harriman nor the Hill interests were willing to give up shares which might be critical to their position, and Haeg paints a vivid picture of a financial system on the verge of collapse. How the crisis developed and was ultimately resolved is only half the story. Once Morgan and other principals worked out a compromise to avoid total collapse of the market, the basic issue of who would control the future development of the western railroads remained. At this point, both contending parties (Hill et.al. and Harriman, et.al.) thought that they had gained the controlling majority of the Northern Pacific stock. To avoid a continuation of the conflict, they agreed to form a "Trust" (called Northern Securities) to own the combined railroads and share the operating profits. Enter the government. The near-collapse and panic in the stock market had aroused a strong resentment in the general public for the rich and powerful. When pro-business President William McKinley was assassinated he was succeeded by the Populist-leaning Vice President Theodore Roosevelt. Roosevelt quickly saw the

formation of Northern Securities as a challenge to the Sherman Anti-trust Act, and an opportunity to secure his own election at the next cycle. Suffice it to say, he brought suit and won at the Supreme Court, forcing the dissolution of Northern Securities. This ruling was the start of a long chain of restrictions and government actions which, according to Haeg, severely crippled the rail transportation industry until the current day.

In 1901, the Northern Pacific was an unlikely prize: a twice-bankrupt construction of the federal government, it was a two-bit railroad (literally—five years back, its stock traded for twenty-five cents a share). But it was also a key to connecting eastern markets through Chicago to the rising West. Two titans of American railroads set their sights on it: James J. Hill, head of the Great Northern and largest individual shareholder of the Northern Pacific, and Edward Harriman, head of the Union Pacific and the Southern Pacific. The subsequent contest was unprecedented in the history of American enterprise, pitting not only Hill against Harriman but also Big Oil against Big Steel and J. P. Morgan against the Rockefellers, with a supporting cast of enough wealthy investors to fill the ballroom of the Waldorf Astoria. The story, told here in full for the first time, transports us to the New York Stock Exchange during the unfolding of the earliest modern-day stock market panic. Harriman vs. Hill re-creates the drama of four tumultuous days in May 1901, when the common stock of the Northern Pacific rocketed from one hundred ten dollars a share to one thousand in a mere seventeen hours of trading—the result of an inadvertent “corner” caused by the opposing forces. Panic followed and then, in short order, a calamity for the “shorts”; a compromise, the near-collapse of Wall Street brokerages and banks, the most precipitous decline ever in American stock values, and the fastest recovery. Larry Haeg brings to life the ensuing stalemate and truce, which led to the forming of a holding company, briefly the biggest railroad combine in American history, and the U.S. Supreme Court ruling against the deal, launching the reputation of Justice Oliver Wendell Holmes as the “great dissenter”; and President Theodore Roosevelt as the “trust buster.” The forces of competition and combination, unfettered growth, government regulation, and corporate ambition—all the elements of American business at its best and worst—come into play in the account of this epic battle, whose effects echo through our economy to this day.

"I first read about the Northern Pacific Corner when I was ten years old. When I opened my office on January 1, 1962, I put on the wall a framed copy of the New York Times of May 10, 1901, describing the fateful prior day. Larry Haeg now tells the full story, and I enjoyed every word of it." —Warren Buffett