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How Abraham Lincoln Helped Shape Modern U.S. Economy

By Marc Levinson - Jul 6, 2012

This month marks 150 years since President Abraham Lincoln signed the Pacific Railway Act, committing the federal government to support a transcontinental railroad. The federally subsidized construction of the Union Pacific and the Central Pacific, culminating in the driving of the famous golden spike in Utah in 1869, was an epic achievement, cutting weeks off the travel time between the East and California, and truly knitting the continent together.

Although the railroad between Omaha and Sacramento did much to boost national unity and economic growth, it wasn't a boon for everyone. Like any economic change, it created losers as well as winners.

Nineteenth-century politicians understood full well that it would do so. That's why construction began only in 1863 and not, say, 1844, when Asa Whitney offered Congress the first proposal for a railroad to the Pacific coast. Whitney, a New York merchant, wanted to build a railroad to current-day Oregon or Washington, to advance trade with Hawaii and Japan. His price was steep: He wanted the government to sell him a strip of land stretching 30 miles on either side of the railroad -- 78 million acres -- at a paltry 10 cents an acre.

But Whitney's plan to place the eastern terminus on the thinly populated shore of Lake Michigan between what is now Evanston, Illinois, and Green Bay, Wisconsin, was a political nonstarter, because people in other states saw little benefit in a railroad originating in Wisconsin Territory.

Going West

Among Whitney's most influential critics was Senator Thomas Hart Benton of Missouri. Benton was a rabid advocate of western expansion, but not Whitney's kind. Benton envisioned a mile-wide "national central road" to San Francisco, starting in St. Louis. This strip was to have room for a railroad, but Benton wanted to ensure there would be "a plain old English road," as he put it, "in which the farmer in his wagon or carriage, on horse or on foot, may travel without fear, and without tax." Benton's project, of course, would have been a boon for St. Louis, far and away the largest city west of the Mississippi -- and, by no coincidence, his hometown.

Neither of these projects had much appeal in the South. One group of Southerners proposed a line starting in Vidalia, Louisiana, and running to San Diego. Another plan put the eastern terminus across from Vicksburg, Mississippi, 75 river miles north of Natchez. Sam Houston, then a senator from the new state of Texas, favored a line from Galveston, on the Gulf of Mexico, to San Diego. A convention in Memphis issued a ringing endorsement of a transcontinental route that would begin in -- Memphis.

The discovery of gold in California in 1848 made Whitney's plan obsolete, but all the other routes remained in the running. To resolve the matter, in 1853 Congress directed the secretary of the army, Jefferson Davis, to study the options.

Davis, a Mississippian, was already on record as favoring a Southern route, and in 1853 he promoted the Gadsden Purchase, the federal acquisition of a piece of Mexican desert that offered the most convenient route between the South and California. Davis sent expeditions to examine several routes, and in 1855 concluded that a Southern route would be the most economical.

Chicago Gamble

Not all Southern politicians concurred. New Orleans officials favored a much shorter railroad across southern Mexico, with steamboat connections to California at the Pacific end and, on the Gulf of Mexico side, to New Orleans. Officials in Virginia and South Carolina preferred no transcontinental railroad at all, lest it divert cargo and passengers that would otherwise travel from their ports by ship. Congress took no action.

The decisive step was a gamble by investors in the young but fast-growing city of Chicago. Envisioning their city as the commercial hub of the West, they began building a single-track wooden swing bridge across the Mississippi River between Rock Island, Illinois, and Davenport, Iowa in 1853.

The bridge was hugely controversial, opposed both by Southerners and by steamboat operators. A steamboat collided with the bridge and set it afire, perhaps deliberately, soon after it opened in 1856, and the courts spent years hearing cases about whether the bridge unfairly interfered with river traffic. With help from an Illinois lawyer named Abraham Lincoln, the Chicagoans were able to push their railroad clear across Iowa to the Missouri River.

When the Southern states seceded from the Union after Lincoln's election as president in 1860, their senators and representatives left Congress, and hopes that the first transcontinental railroad would serve the South went with them.

The Pacific Railway Act, adopted after the Southerners walked out, specified a route through northern Kansas or the southern part of Nebraska Territory, leaving it to Lincoln to choose the Missouri River terminus. He could have directed the railroad southeast to Atchison or Leavenworth or Kansas City. All of those routes would have funneled the California trade to St. Louis. Instead, Lincoln chose Omaha, where, via a ferry across the Missouri, there was a rail connection over the Mississippi River bridge at Rock Island direct to Chicago.

The rest, as they say, is history. Chicago would become the distribution center for half a continent, its wholesalers serving markets a thousand miles away, its stockyards receiving cattle and hogs from across the West, its railway connections making it the natural home for mail-order merchants like Sears, Roebuck and Co. and Montgomery Ward. Less populous than St. Louis in 1860, Chicago would be three times its size by the end of the century.

Natchez and Vicksburg, their economic base ravaged by the Civil War and the end of slavery, would capture none of the growing western trade. And Memphis, having missed out on the transcontinental railroad, was left with its main rail links running north and south. Those made it a regional center for dealing cotton and lumber, but the great wealth created by the California trade never did come its way.

(Marc Levinson's most recent book is "The Great A&P and the Struggle for Small Business in America." The opinions expressed are his own.)

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