H-Net Reviews
in the Humanities & Social Sciences

Saul Engelbourg, Leonard Bushkoff. *The Man Who Found the Money: John Stewart Kennedy and the Financing of the Western Railroads.* East Lansing: Michigan State University Press, 1996. xiv + 257 pp. $39.95 (cloth), ISBN 978-0-87013-414-2.

Reviewed by Albert Churella (Department of History, Ohio State University)
Published on H-Business (August, 1997)

John Stewart Kennedy: A Transitional Financier

John Stewart Kennedy: A Transitional Financier

During the second half of the nineteenth century, financial intermediaries became more specialized and more professionalized, in response to the vastly increased capital requirements of the rapidly growing railroad network, and of other industries as well. *The Man Who Found the Money* describes the personal journey of one mid-level financier who played an important role in the American economy, although he was never so powerful or well known as Jay Gould, Jay Cooke, or J. P. Morgan.

During his career, John Stewart Kennedy (1830-1909) moved from early efforts as a commission agent to later involvement in railroad finance, and finally to a retirement devoted to carefully tailored philanthropy. As his professional abilities matured in tandem with American financial markets, Kennedy became both more successful and more focused on specific types of financing. In the process, Kennedy–like contemporary J. P. Morgan–was always acutely aware that trust was far more important than adherence to any rigidly defined code of professional conduct. Still, despite Kennedy's almost paranoiac efforts to maintain the trust of his business associates, he often engaged in financial transactions that, in the eyes of later financial professionals, seemed to indicate serious conflicts of interest. Kennedy, like most transitional financiers, would have been puzzled by this notion, believing that so long as the relatively informal financial arrangements of the time worked in the best interest of all concerned, then

investors could earn profits, financiers could maintain public trust, and "conflict of interest" was a matter of no great consequence.

Kennedy spent much of his childhood in Glasgow, Scotland, and received there a solid education that enabled him to rise quickly from a shipping clerk to a salesman of rails and other iron products. In 1856, he became a junior partner in M. K. Jesup & Co. and subsequently spent most of his time in the United States. Kennedy served primarily as a commission merchant for various U.S. railroads, performing a wide variety of financial transactions that ranged from procuring rails and other supplies to paying interest on bonded debt to arranging for additional capital. These activities were hardly routine or specialized–instead, Kennedy relied on personal knowledge and on a carefully cultivated network of contacts in Europe and the United States, all of whom were bound together by mutual trust.

In 1868, Kennedy became a private commercial banker when he established J. S. Kennedy and Co. in New York City. (His growing financial independence may well have been influenced by the American Civil War, which had provided countless business and financial opportunities, but the authors do not mention this pivotal event in their book). Like most such banks, Kennedy's was a small operation, with only a few partners and clerks to assist him. Kennedy still served as a commission merchant, often representing both railroad buyers and equipment sellers–hence concern over the issue of conflict of interest. Increasingly, however, Kennedy became more involved in the management of new or financially weak railroads. As a representative of the Scottish-American Investment Company, for example, Kennedy not only helped funnel Scottish capital into the U.S., he also helped rescue Scottish investors from some of their unwise investments. During the late 1870s, Kennedy helped to restore the City of Glasgow Bank to financial solvency; an activity that brought him scant financial reward, but that increased greatly the respect and trust accorded him by his financial contemporaries.

During the 1870s and 1880s, Kennedy helped to arrange financing for components of what later became the Great Northern Railway, bringing him into close association with "Empire Builder" James Jerome Hill. Kennedy's

new role as "James Hill's emissary to the world of high finance" (p. 104) caused him to dissolve J. S. Kennedy and Co. in 1883, although he still continued to serve as a commission merchant for the procurement of two specialized items–steam locomotives and rails– for Hill. As a director and officer of the Minneapolis and Manitoba (the chief precursor to the Great Northern), Kennedy helped to shape that railroad's policies. Kennedy and Hill had very different visions for the road's future, however, since the former favored a conservative financial strategy that emphasized slow long-term growth as the territory served by the railroad became more developed, while the latter favored operational cost savings and frequent short-term financial offerings that would provide the railroad with just enough capital to make a rapid push to the Pacific.

Disagreements with Hill, while never terribly acrimonious, nonetheless helped to persuade Kennedy to retire. Other issues contributed to this decision. These included growing conflicts with other railroads in the Northwest (including the Chicago, Burlington & Quincy, the Chicago, Milwaukee & St. Paul, and the Northern Pacific) and stress-related illnesses stemming from involvement in several lawsuits over the course of his career and from continual efforts to defend his reputation against charges that conflicts of interest had undermined his trustworthiness. Even after his 1888 resignation from his position as vice president of the Minneapolis and Manitoba, Kennedy remained active in railroad finance. He moved gradually from professional activities to philanthropy during the 1890s, giving away a large portion of his $67 million fortune to museums, libraries, hospitals, and other charitable institutions.

The life and career of John Stewart Kennedy is certainly a fitting choice for a book. His financial dealings spanned two continents and encompassed a period that began with the first tentative railroad consolidations and ended with the Northern Securities Case of 1904. He helped to finance one of the most important railroads to be built in the United States, and served as a close adviser to railroad magnate J. J. Hill. His career reflected the broad nineteenth-century transition from the diversified activities of general commission merchants to the emergence of private commercial banks to the development of specialized financiers.

One of the most frustrating aspects of this work, however, is that Kennedy has not been effectively integrated into these larger developments. The brief segments at the beginning and end of each chapter do provide a broad overview (occasionally too broad, giving information that is almost self-evident), but these passages are often poorly integrated with the body of the text–possibly an artifact of the dual authorship of the book. The book is also somewhat disjointed, with an abundance of short chapters, one-sentence paragraphs, and awkward transitions; all indicative of a merited condensation of a much longer work–a condensation that was not, unfortunately, accompanied by a thorough rewriting. More specifically, sharper editing would have helped to reduce the frequency of cliches, jargon, and (often mixed) metaphors; for example: "In effect, events were in the saddle, and men could only ride" (p. 142).

Without question, this is a thoroughly researched and highly detailed work. The authors (primarily Engelbourg) have marshaled an impressive array of information from a wide variety of manuscript collections and published secondary sources. While earlier works, such as Dolores Greenberg's pioneering study of Morton, Bliss & Company, offer a more comprehensive and better-integrated overview of mid-level finance during the nineteenth century, *The Man Who Found the Money* is still of value to historians of nineteenth-century railroad finance for its encyclopedic coverage of an important individual financier of that era.

If there is additional discussion of this review, you may access it through the list discussion logs at:
http://h-net.msu.edu/cgi-bin/logbrowse.pl.

Citation: Albert Churella. Review of Engelbourg, Saul; Bushkoff, Leonard, *The Man Who Found the Money: John Stewart Kennedy and the Financing of the Western Railroads.* H-Business, H-Net Reviews. August, 1997.
URL: http://www.h-net.org/reviews/showrev.php?id=1255

Copyright © 1997 by H-Net, all rights reserved. H-Net permits the redistribution and reprinting of this work for nonprofit, educational purposes, with full and accurate attribution to the author, web location, date of publication, originating list, and H-Net: Humanities & Social Sciences Online. For any other proposed use, contact the Reviews editorial staff at hbooks@mail.h-net.msu.edu.